

# **EXHIBIT I**

# **EXHIBIT I**

**SUMMARY REPORT FORMAT**

**THE FEE SIMPLE ESTATE  
IN**

**"As Is" MARKET VALUE OF 1.04 ACRES OF MULTI-FAMILY LAND  
LOCATED AT 1st Street & BUCHANAN STREET  
PHOENIX, ARIZONA 85004  
MARICOPA COUNTY, ARIZONA**

**EFFECTIVE DATE OF THE APPRAISAL**

April 1, 2010

**DATE OF THE REPORT**

April 12, 2010

**DOZIER FILE NUMBER 10-032LHP**

**PREPARED FOR**

**SPECIALTY TRUST  
ATTN: MR. NELLO GONFIANTINI  
6160 PLUMAS STREET  
RENO, NV 89519-6060**

**BY**

**Raymond L. Dozier, MAI  
DOZIER APPRAISAL COMPANY  
PALM DESERT, CA 92260**

**DOZIER APPRAISAL COMPANY  
Resort and Urban Property Appraisers  
Valuation and Financial Consultants**

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April 12, 2010

Specialty Trust  
Attn: Mr. Nello Gonfiantini  
6160 Plumas Street  
Reno, NV 89519-6060

*RE: "As Is" Market Value of 1.04 Acres (45,302 SF) of vacant multi-family land located at 1st Street and Buchanan Street, Phoenix, Arizona 85004*

Mr. Gonfinantini:

Enclosed is an appraisal I have made of the "As Is" Market Value of 1.04 Acres (45,302 sf) of vacant multi-family land located at 1st Street & Buchanan Street, Phoenix, AZ 85004. This appraisal was made at the request and agreement between Specialty Trust and Dozier Appraisal Company. Specialty Trust is hereinafter referred to as the client and intended user of this report.

The purpose of this appraisal is to estimate the "As Is" Market Value of the subject property's real property interest as if sold to a single purchaser, as of the appraiser's date of inspection, April 1, 2010. In the "As Is" scenario, the property will be appraised at whatever its stage of development as of the effective date of appraisal. The function of the appraisal is for loan analysis.

The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for existing easements and rights-of-way of record.

To develop this appraisal, Raymond L. Dozier, MAI has made a personal inspection of the subject property. In addition, he has reviewed sales of comparable properties, performed a highest and best use analysis and a land residual analysis and has weighed and compared the data to arrive at the estimated value of the subject property. The effective date of this appraisal is April 1, 2010.

This report is subject to the enclosed Assumptions and Limiting Conditions in the addendum, the Certification and the Scope of the Appraisal on Page 10. Otherwise, there are no other extraordinary assumptions or hypothetical conditions regarding this appraisal. Also, this letter of transmittal is not the completed appraisal report but a statement of value conclusions. Users of this appraisal are encouraged to read the completed attached report to reach the appraiser's conclusions via the appraisal process.

The intention of this appraisal report is to comply fully with FIRREA appraisal guidelines, as well as the current Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal

Page 2  
Dozier Appraisal Company

Standards Board of the Appraisal Foundation; the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The departure provision shall not apply.

The undersigned does not have any personal interest, either present or contemplated, in the subject property and certifies that fees, received or to be received, for the employment of my services are contingent on the opinions reported herein. In addition, the undersigned meets the Competency Provision Standard (1.1a,b, c) as required by USPAP and has the knowledge and experience to complete the assignment competently.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "As Is" MARKET VALUE of the subject property, as of the effective date April 1, 2010, is measured in the amount of:

**\$3,150,000 (\$69.53/SF \$21,000/paper unit)\***

**(THREE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS)**

Allocated:

1.04 Acres	\$3,150,000
Building Improvements	\$-0-
Total	\$3,150,000

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated to be 10 to 12 months.

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Respectfully submitted,  
DOZIER APPRAISAL COMPANY

Raymond L. Dozier, MAI  
State Certified General Real Estate Appraiser  
AZ. Cert. No. 31701  
RLD/10-032LHP

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**Part One – Introduction****CERTIFICATION**

I certify, that, to the best of my knowledge and belief . . .

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- Lori Pabros, independent contractor, provided significant professional assistance to the person signing this report. Mr. Raymond L. Dozier, MAI, performed final analysis of market data in determining indication of value.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report I, Raymond L. Dozier, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.



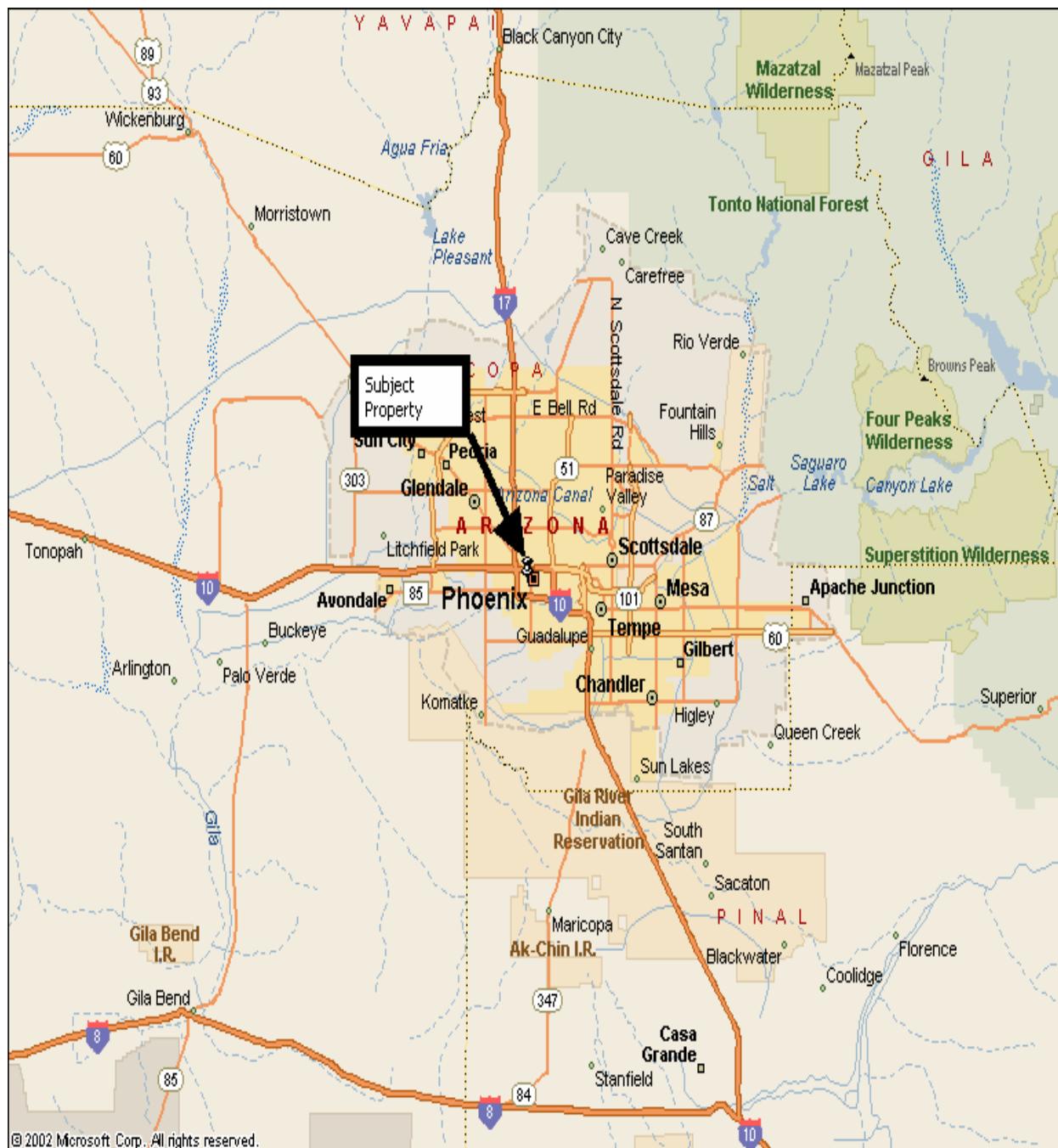
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Raymond L. Dozier, MAI  
State Certified General Real Estate Appraiser  
AZ. Cert. No. 3170190

## Part One – Introduction

**REGIONAL MAP/CITY MAP**

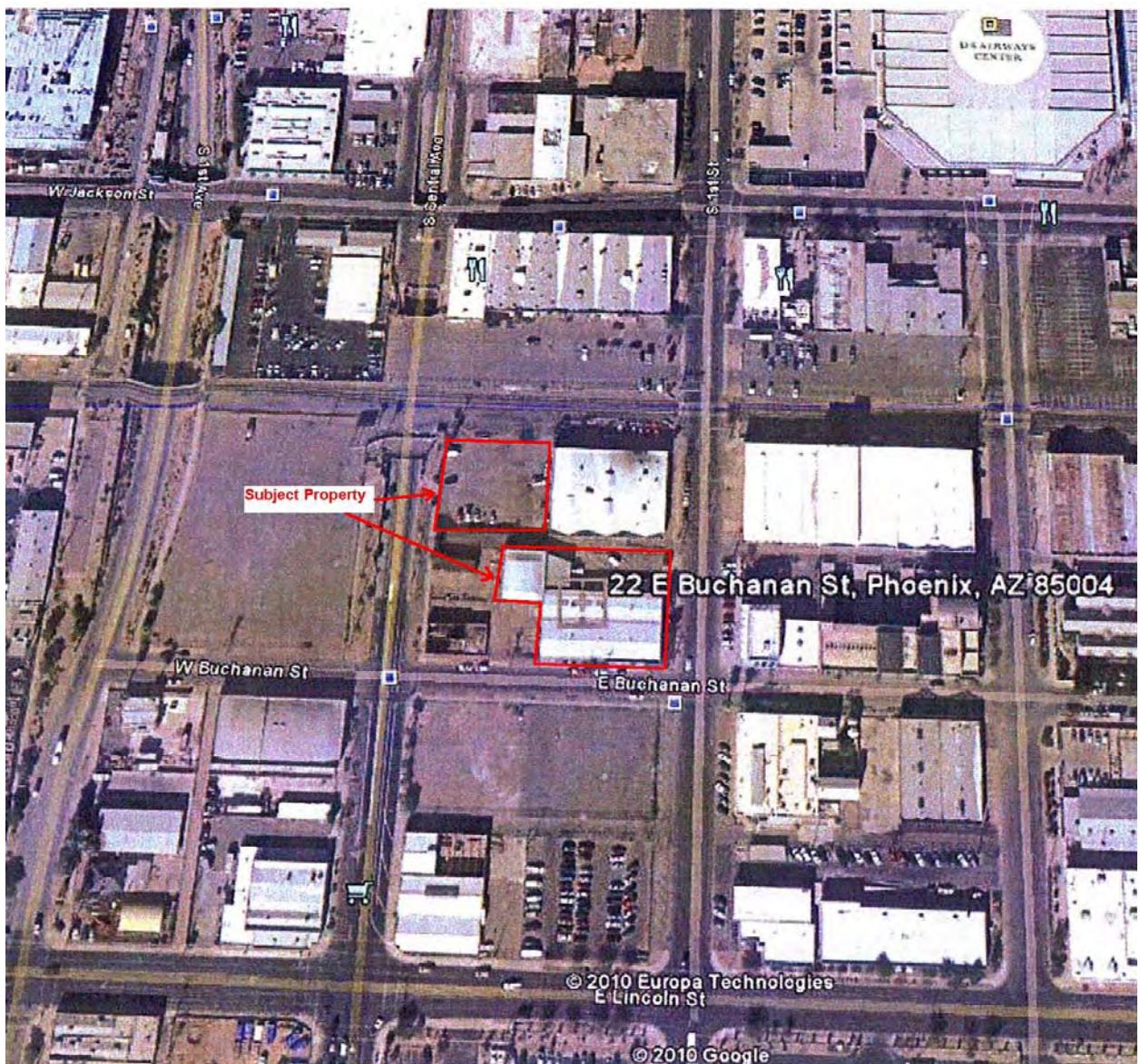
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**Part One – Introduction**

**AERIAL MAP**

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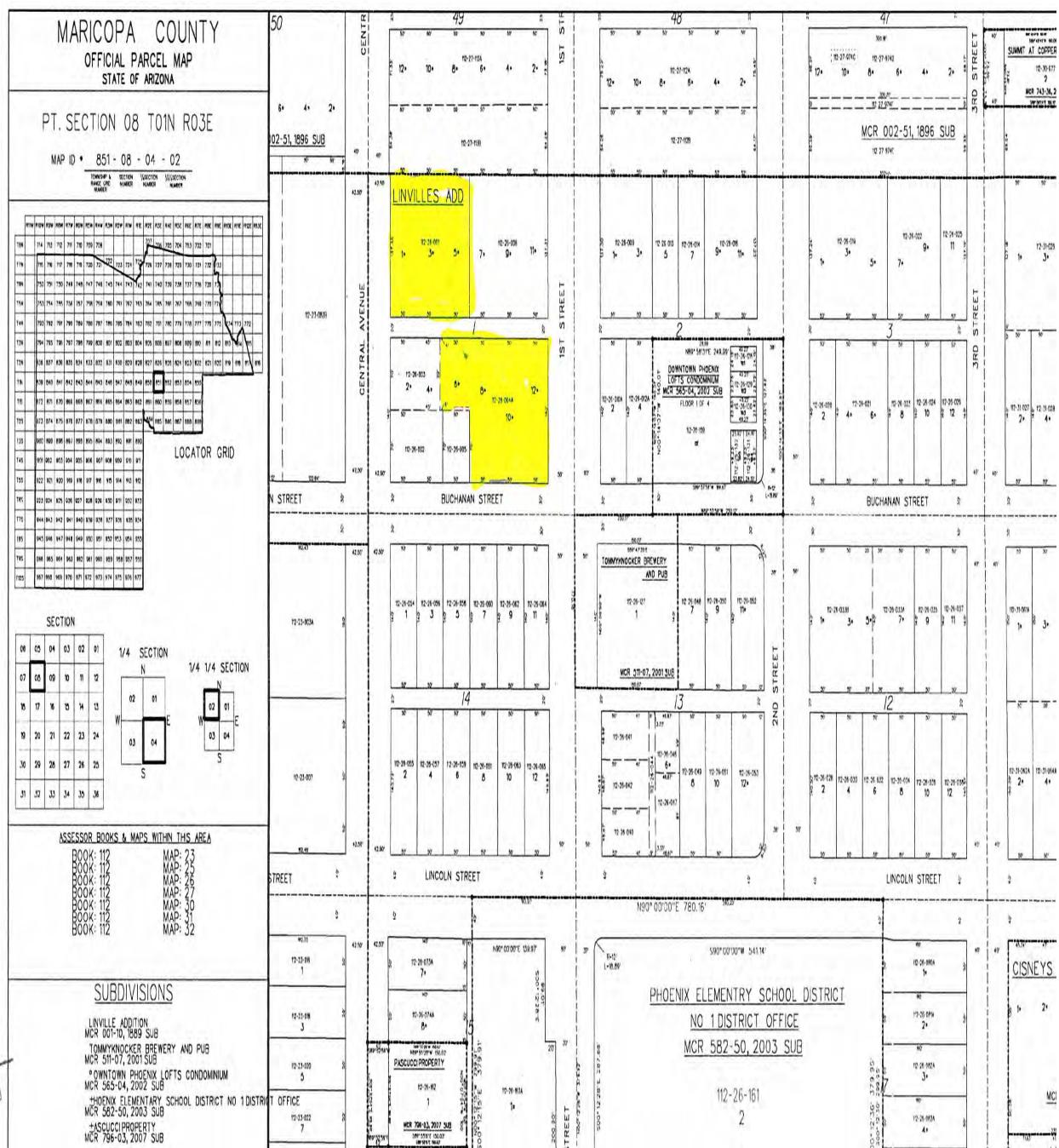


## Part One – Introduction

## PLAT MAP

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**Part One – Introduction**

**SUBJECT PHOTOGRAPHS**



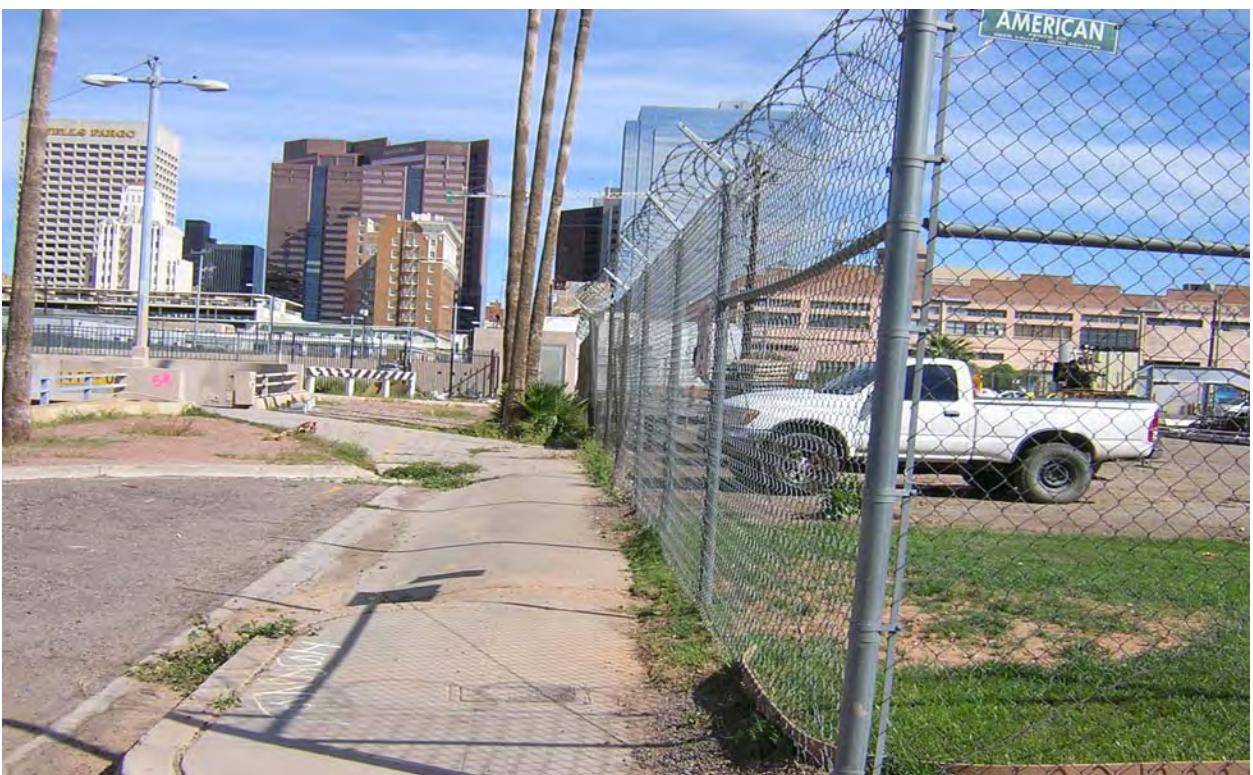
**Subject's Street Frontage along 1<sup>st</sup> Street**



**Public Alley Bifurcating the Subject's two parcels**

**Part One – Introduction**

**SUBJECT PHOTOGRAPHS**



**Subject Frontage along Central Avenue**



**Subject's Existing Building Improvements**

## Part One – Introduction

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<b>Property Type:</b>	1.04 Acres (42,869 sf )of Multi-family land
<b>Location:</b>	1 <sup>st</sup> Street & Buchanan Street, Phoenix, AZ 85004
<b>Identification:</b>	Maricopa County APN #112-26-001 & 004A
<b>Census Tract Number:</b>	1142.00
<b>Thomas Guide Map Page &amp; Grid:</b>	N/A
<b>Purpose of the Appraisal:</b>	The purpose of this appraisal is to estimate the “As Is” Market Value of the subject property’s real property interest as if sold to a single purchaser, as of the appraiser’s date of inspection, April 1, 2010. In the “As Is” scenario, the property will be appraised at whatever its stage of development as of the effective date of appraisal. The function of the appraisal is for loan analysis.
<b>Function of the Appraisal:</b>	The function of the appraisal is for loan analysis.
<b>Scope of the Appraisal:</b>	Complete narrative format adhering to all FIRREA and USPAP Standards; Departure provisions shall not apply.
<b>Property Rights Appraised:</b>	The property rights appraised establish the FEE SIMPLE Interest of all future benefits that may be derived from the property's present or possible use, except for existing easements and rights-of-way of record.
<b>Street Frontage:</b>	Property has street frontage on 1 <sup>st</sup> Street & Buchanan Street
<b>Access:</b>	Property has access from 1st Street & Buchanan Street
<b>Site Size :</b>	Approximate: 1.04 Acres or 45,302 SF.
<b>Site Shape:</b>	Subject consists of two non-contiguous parcels.
<b>Zoning:</b>	
• <b>General Plan:</b>	A1/A2 Warehouse Overlay
• <b>Actual:</b>	A1/A2 Warehouse Overlay
<b>Unavailability of Information:</b>	Information vital to the appraiser in connection with this property was made available from various sources. The appraiser has not been provided a survey, exact boundary lines or acreage, a standard current title report, environment report, soil tests or other relevant data on the subject property.
<b>Topography:</b>	Mostly leveled at street graded.

## Part One – Introduction

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<b>Drainage:</b>	Appears adequate. (See Scope and Extent of the Data Collection Process, Page 10)
<b>Containment in Floodplain:</b>	The subject is located in area shown as Flood Zone X Panel 040051-2130G; “Areas outside of the 500 Year floodplains dated September 30, 2005
<b>Improvements:</b>	The subject property is currently improved with an industrial/office building and is being occupied by a single tenant on a month to month basis. Any income derived from leasing the building will be off-set by the cost of demolition.
<b>Utilities:</b>	Public utilities including water, electricity, gas, sewer, and telephone appear to be installed to the property. (See Scope and Extent of the Data Collection Process, Page 9)
<b>Redevelopment Zone:</b>	Subject appears to not be in a redevelopment zone. No impact on value.
<b>Easements:</b>	Periphery utility easements encumbering subject property are assumed for this appraisal. (See Scope and Extent of the Data Collection Process, Page 9)
<b>Toxic Waste:</b>	This report assumes this site is not nor has ever been contaminated with any form of toxic waste or hazardous substance. (See Scope and Extent of the Data Collection Process, Page 9)
<b>Deductions and Discounts:</b>	No deductions or discounts were made in the valuation of the property. Indicated Market Value has not been reduced by the cost of holding or selling the property.
<b>Highest and Best Use</b> • “As Is”	The highest and best use would be to rent out the existing improvements as an interim use during the two year holding period and then raze the existing improvements. Any income derived from the current improvements would be off-set by the cost of demolition. The entitlement process should take approximately 1 year, construction should take two years bringing the finished product onto the market in approximately 60 months with price points of finished condominiums in the \$400,000 to \$500,000 with an average price point of \$450,000.
<b>Reasonable Exposure: (Prior)</b>	10 to 12 months
<b>Marketing Time (After):</b>	10 to 12 months
<b>Most Probable Purchaser:</b>	Land Speculator or Pre-Developer

## Part One – Introduction

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**Trend Analysis:**

- **Regional/City:**

The subject property is located on the west side of downtown close to Central Avenue. Most of the parcels in the neighborhood are improved as parking lots, fenced for equipment storage and/or improved with older industrial buildings. There is a new high rise condominium project to the northeast of the subject and another project currently under construction to the east of the subject. Market participants are anticipating existing residential units to be absorbed in approximately 24 to 30 months.

**Personal Property, Fixtures, and Intangible Items:**

This report does not include any personal property, fixtures or intangible items.

**MARKET VALUE INDICATION:**

<b>•Sales Comparison Approach</b>	<b>\$3,164,000 (\$70.50/sf - \$21,093/Paper Unit)</b>
<b>•Land Residual</b>	<b>\$3,135,000 (\$69.20/sf - \$20,900/Paper Unit)</b>
<b>1. Current Cost of Production as of 4/1/2010</b>	<b>\$36,238,000 (Bulk or Wholesale)</b>
<b>2. Aggregate Retail</b>	<b>\$67,200,000</b>
<b>3. Current Bulk or Wholesale as of 4/1/2010</b>	<b>\$27,904,000 (Bulk or Wholesale)</b>
<b>4. Prospective Bulk or Wholesale Market Value as of 4/1/2014</b>	<b>\$49,013,000 (Bulk or Wholesale as of 4/1/2014)</b>
<b>5. Prospective Cost of Production as of 4/1/2014</b>	<b>\$42,718,000 (Bulk or Wholesale as of 4/1/2014)</b>
<b>Final Value Conclusion (“As Is” Market Value):</b>	<b>\$3,150,000 (\$69.53/SF - \$21,000/Paper Unit)</b>
<b>Date of Last Inspection:</b>	<b>April 1, 2010</b>
<b>Date of Report:</b>	<b>April 12, 2010</b>
<b>Effective Date of Value Estimate:</b>	<b>April 1, 2010</b>

## Part Two – Factual Data

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### PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the “As Is” Market Value of the subject property’s real property interest as if sold to a single purchaser, as of the appraiser’s date of inspection, April 1, 2010. In the “As Is” scenario, the property will be appraised at whatever its stage of development as of the effective date of appraisal. The function of the appraisal is for loan analysis.

### THE FUNCTION OF THE APPRAISAL

The function of the appraisal is for loan analysis.

### THE SCOPE AND EXTENT OF THE DATA COLLECTION PROCESS

The following steps were made in arriving at the final estimate of value in the appraisal report:

1. A preliminary search of available resources was made to determine market trends, influences, and other significant factors pertinent to the subject property.
2. A physical inspection of the property was performed. Although due diligence was exercised while at the property, the appraiser is not an expert in such matters as accident or tragic issues; crime issues; legal issues; suit or claim issues; government issues; land use issues; nuisance issues; building issues; repair issues; soil issues; geo-technical issues; hazardous issues; contamination issues; environmental agency issues; natural resource issues; historic or cultural issues; natural hazard issues; and all issues to those known – past, present or proposed. No warranty is given as to these elements. As needed, inspections by various professionals within these fields might be recommended, with the final estimate of value subject to their findings.
3. Research and collection of data from the subject's competing market area are sufficient in quantity to express an opinion of value as defined herein. Relevant data is contained in this report.
4. An analysis of the data was completed by applying customary appraisal techniques and following the USPAP standards. The report will be a complete appraisal summary report and will be expected to lead the reader to the same value conclusion as suggested by the appraiser.

### DATE OF VALUE ESTIMATE

Site was inspected April 1, 2010 with this date being the effective date of the appraisal. The date of this report is April 12, 2010.

## PART TWO – FACTUAL DATA

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### IDENTIFICATION OF PROPERTY RIGHTS APPRAISED

The property rights being appraised are the unencumbered Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for easements and rights-of-way of record.

### DEFINITIONS OF VALUE AND PROPERTY RIGHTS

"**MARKET VALUE**" means: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus.<sup>1</sup> Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated
- Both parties are well informed or well advised, and each acting in what he considers his own best interest
- A reasonable time is allowed for exposure in the open market
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**MARKET VALUE** is based on the concept of an open and competitive market in which typical transactions are free of the aspects of duress or forced liquidation.

The **REASONABLE EXPOSURE TIME** inherent in the **MARKET VALUE** concept is always presumed to occur **PRIOR** to the effective date of the appraisal.

The **REASONABLE MARKETING PERIOD** is an estimate of the amount of time it might take to sell a property interest in the real estate at the estimated market value level during the period **IMMEDIATELY AFTER** the effective date of the appraisal.

To estimate "Market Value" during a period of very limited market activity is extremely difficult and challenging. The key to the property analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of **MARKET VALUE**. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of **MARKET VALUE**.

During some periods of distressed market conditions, **MARKET VALUE** may imply a price at which a transaction will not occur until such time as conditions in the market match the definition of **MARKET VALUE**.

The term "**FEE SIMPLE ESTATE**" means: Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.<sup>2</sup>

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<sup>1</sup> (Title XI, FIRREA,34.42 f)

<sup>2</sup> Title XI, FIRREA, 34.42 {f}

## PART TWO – FACTUAL DATA

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### **DEFINITIONS OF VALUE AND PROPERTY RIGHTS** (continued)

The term "LEASED FEE ESTATE" means: A Leased Fee Estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.<sup>3</sup>

**MARKET VALUE** "As Is" means: "An estimate of market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection. When an "As Is" valuation premise is used, the property is valued as of a specified date, assuming the property is in **precisely** the condition or status it actually was (is) in on the effective date of value. This condition must be accurately described in the appraisal report."<sup>4</sup>

**MARKET VALUE** is based on the concept of an **open and competitive market** in which typical transactions are free of the aspects of duress or forced liquidation.

**MARKET VALUE** "as if complete" on the appraisal date means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions, as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property "as if complete and prepared for occupancy by tenants" The as if complete premise assumes that all assumptions are in place as of the date of value.

**SUPER PAD** is a mass graded pad which was created in order to create earthwork balances within future subdivision parcels. It would require additional grading and in-tract development prior to building vertical construction, and may require additional mapping and may even require additional entitlements.

**BLUE TOP PAD** is a lot or a pad which has been graded and certified and is ready for construction. No additional grading is required to construct the building. Streets and utilities are not necessarily constructed.

**REASONABLE PROBABILITY** (BAJI 11.86) The appraiser may consider and base his/her conclusions upon present or projected economic "uses or purposes" which are "reasonably probable" to occur in the foreseeable near future, as distinguishing from "merely possible" projected uses. California eminent domain law does not permit a valuation opinion to be premised on projected "uses and purposes" which are uncertain, merely possible, conjectural, remote, or speculative. Almost anything is "possible", because a possibility includes the "merest chance." There must be a likelihood that a proposition is true before it is "probable," as distinguished from "merely possible."

**FULLY ENTITLED** Approval of a final map or a parcel map does not in itself confer a vested right to develop. *Avco Community Developers, Inc. v. South Coast Reg'l Comm'n*, 17 Cal 3d 785, 739-94 (1976); *Oceanic Cal., Inc. v. North Cent. Coastal Reg'l Comm'n*, 63 Cal.App. 3d 57,72-73 (1976); *Consaul v. City of San Diego*, 6 Cal. App. 4<sup>th</sup> 1781, 1793 (1992). Zoning can still be changed, or other police ordinances can be adopted, after even final maps, conditional use permits, PUDs, zoning, rezoning, grading or other permits have been granted. There is no vested right to develop until actual building or other permits for identifiable builds have been issued, and substantial work has been done thereafter in reliance on those permits.

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<sup>3</sup> *The Appraisal of Real Estate*, 12<sup>th</sup> Edition, Appraisal Institute, Page 83

<sup>4</sup> Appraisal Policies and Practices of Insured Institutions and Service Corporations, Federal Home Loan Bank Board, "Final Rule", 12 CFR Parts 563 and 571, Dec. 21, 1987

## PART TWO – FACTUAL DATA

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### LEGAL DESCRIPTION AND IDENTIFICATION OF PROPERTY

**Reference:** APN#112-31-971C

**Common Address:** 1st Street & Buchanan Street, Phoenix, AZ 85004

**Legal Description:** 1.04 ACRES

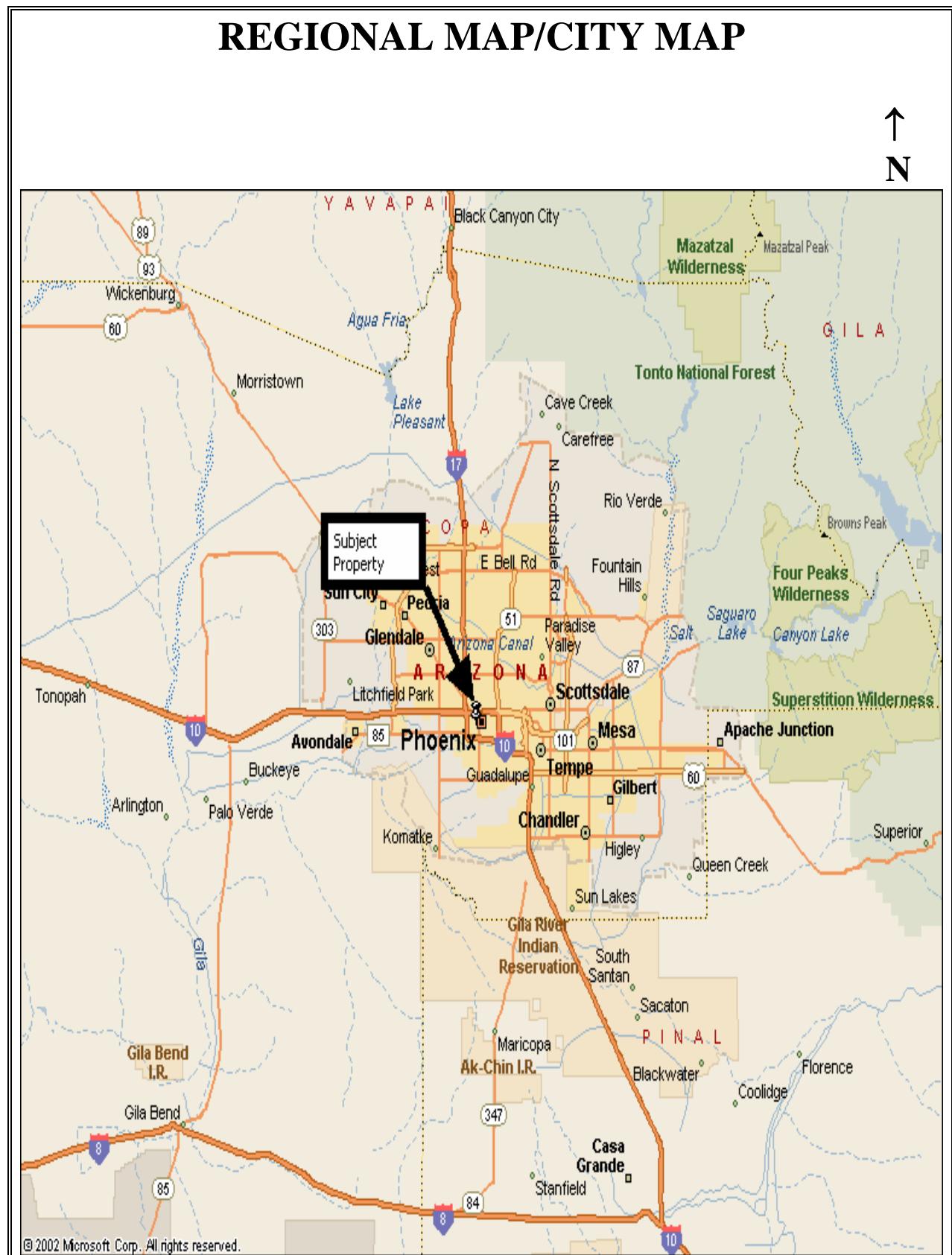
**Current Ownership:** JFP 1331, LLC

**Condition of Title:** No assessment of the condition of the title has been made by the appraiser; but as outlined in the Assumptions and Limiting Conditions, which are part of this report, the property is appraised as if free and clear of any liens and encumbrances.

### HISTORY OF THE PROPERTY

- The subject property was purchased in 2005 for \$2,500,000 or \$55.18/SF.
- The subject property is currently improved with an older office/industrial building which is occupied by a single tenant on a month to month basis.
- Later in the appraisal the reader will note the estimated market value of the subject property is \$3,150,000 or \$69.53 per square foot. The difference between the 2005 purchase price of \$55.18 and the current appraised value \$69.53 per square foot is due to increased market conditions for commercial and industrial land from 2004 thru 2007.
- The subject property is currently listed for sale for \$150.00/SF

PART TWO – FACTUAL DATA



## PART TWO – FACTUAL DATA

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### **REGIONAL AND CITY ANALYSIS – PHOENIX METRO AREA**

To estimate value, an interpretation of how the market views the subject property is analyzed. The scope of the investigation is not limited to static, current conditions. Rather, I have examined trends in the forces that influence value to determine the direction, speed, duration, strength, and limits of these trends.

The City of Phoenix was incorporated in 1881 and is considered one of the fastest growing cities in the nation. Located approximately 350 miles east of Los Angeles and 200 miles from the Mexico Border, Phoenix is home to Arizona State University, the largest university in the state. Other cities in the region include:

Avondale, Chandler, Glendale, Gilbert, Mesa, Scottsdale and Tempe.

#### **A. SOCIAL**

Phoenix has been one of nation's fastest growing regions, with an estimated population of 1,321,000. In addition to permanent residents, one must consider the seasonal residents, which add considerably to the total population in the area. Also, weekend and vacation tourists provide a temporary increase. The average age of the population is 30 years old. Most of the adult population in the area have advanced degrees and/or are professionals.

#### **B. ECONOMIC**

The economic climate of the Phoenix Metro area will be analyzed as to the fundamental relationship between current and anticipated supply and demand for property types similar to the subject.

##### **1. Demand-side economic components include the following:**

###### **A. ECONOMIC BASE OF THE REGION AND COMMUNITY:**

The Phoenix area's main industries that supply the region with cash from outside the state. include construction, defense, banking, high technology, agricultural and tourism. The Phoenix area mainly relies on tourism and service industries.

###### **B. EMPLOYMENT AND UNEMPLOYMENT ACTIVITY AND REGIONAL SOURCES:**

Although employment has dropped in the past three years nationwide, overall employment for the Phoenix area has increased over the past twenty years.

###### **C. COST AND AVAILABILITY OF MORTGAGE CREDIT:**

The current credit freeze has made it extremely difficult to finance new residential developments.

###### **D. STOCK OF AVAILABLE LAND**

Currently there is large amount of vacant land in the Phoenix area. Most of the land in the downtown area of Phoenix are used for parking lots, equipment storage or are improved with retail, industrial and condominium developments.

## PART TWO – FACTUAL DATA

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### E. NEW DEVELOPMENTS UNDER CONSTRUCTION OR BEING PLANNED:

The Summit and Copper Square is a new 165 unit high rise condominium development located to the north of the subject. City Centre is a large high rise development currently under construction consisting of hotel, retail, office and residential product.

### C. GOVERNMENTAL:

Public services; fire and police protection, utilities, refuse collection, and transportation networks:

All incorporated cities maintain their own fire and police protection facilities by direct employment or contract with the county. Conventional utilities are available in the incorporated cities including water, gas, sanitary sewer and electricity. In addition, all cities are serviced by private cable TV companies, as well as contracted private refuse collection.

### D. ENVIRONMENTAL:

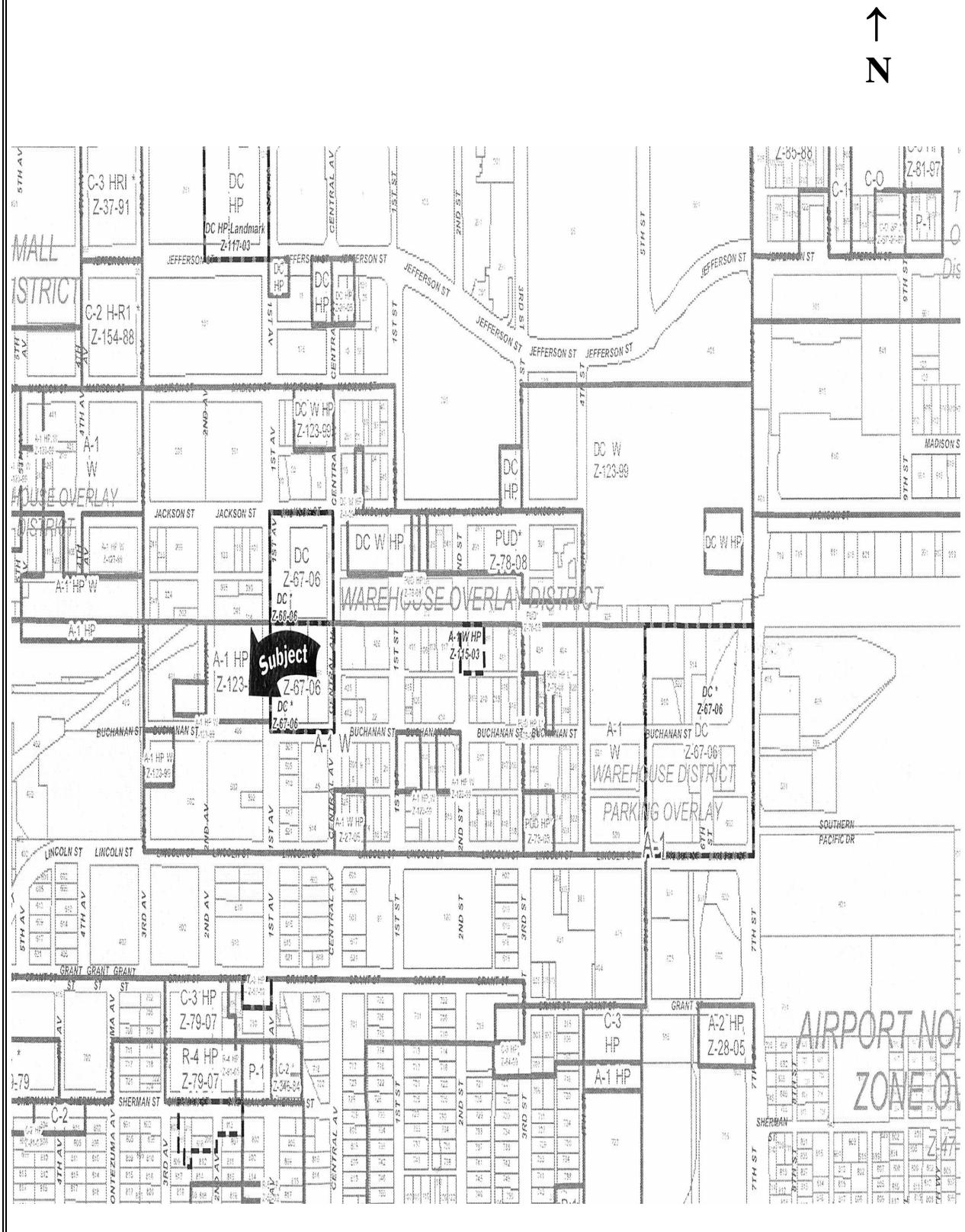
One of the main reasons permanent residents and visitors move to Phoenix is the year round near perfect weather. Other than a few hot months in the summer, , the average year round temperature is 78%.

### E. CONCLUSION:

The subject property is located adjacent to the Chase Baseball Field in downtown Phoenix. Most of the parcels in the neighborhood are improved as parking lots and with older industrial buildings. There is a new high rise condominium project to the north of the subject and another project currently under construction to the west of the subject. Market participants are anticipating existing residential units to be absorbed in approximately 24 to 30 months.

## **PART TWO – FACTUAL DATA**

## **GENERAL PLAN MAP**



**PART TWO - FACTUAL DATA (continued)****ZONING**

The property is located in the incorporated City of Phoenix. The property is designated as "A1/A2" and is designated with warehouse overlay. This property can be developed to a maximum building height of 140 feet and has high density residential uses allowed..

**TAX ASSESSMENT DATA AND ANALYSIS****ESTIMATED 2009-2010 PROPERTY TAX AT APPRAISED VALUE**

Estimated Value	\$3,150,000
X Tax Rate/100	1.30
Assessed Taxes	\$40,950
Special Assessments	Included
<b>TOTAL ESTIMATED PROPERTY TAXES</b>	<b>\$40,950</b>

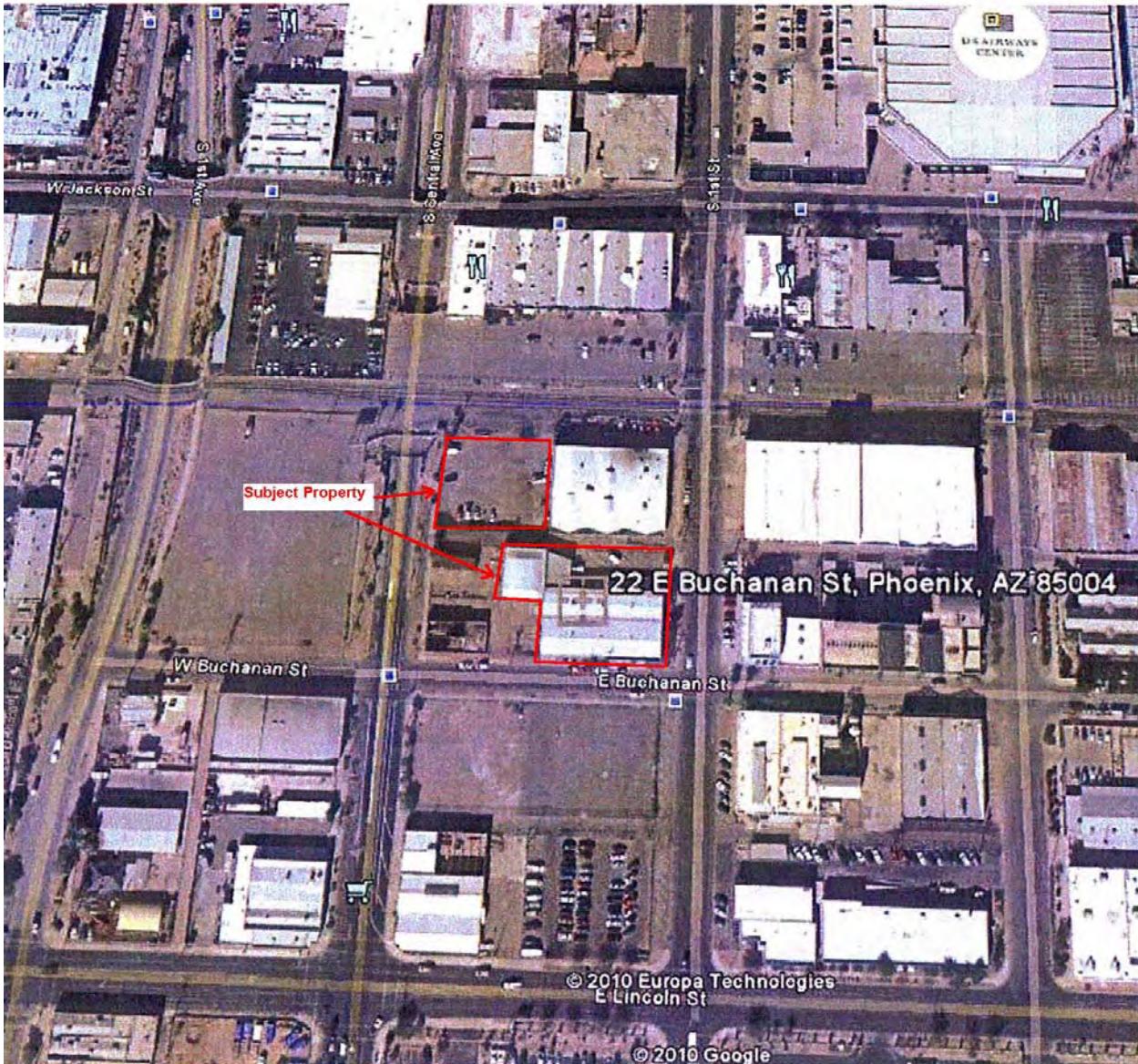
The tax rate for 2009-2010 fiscal year is considered typical for comparable locations throughout the subject district and Maricopa County.

PART TWO – FACTUAL DATA (Continued)

AERIAL MAP

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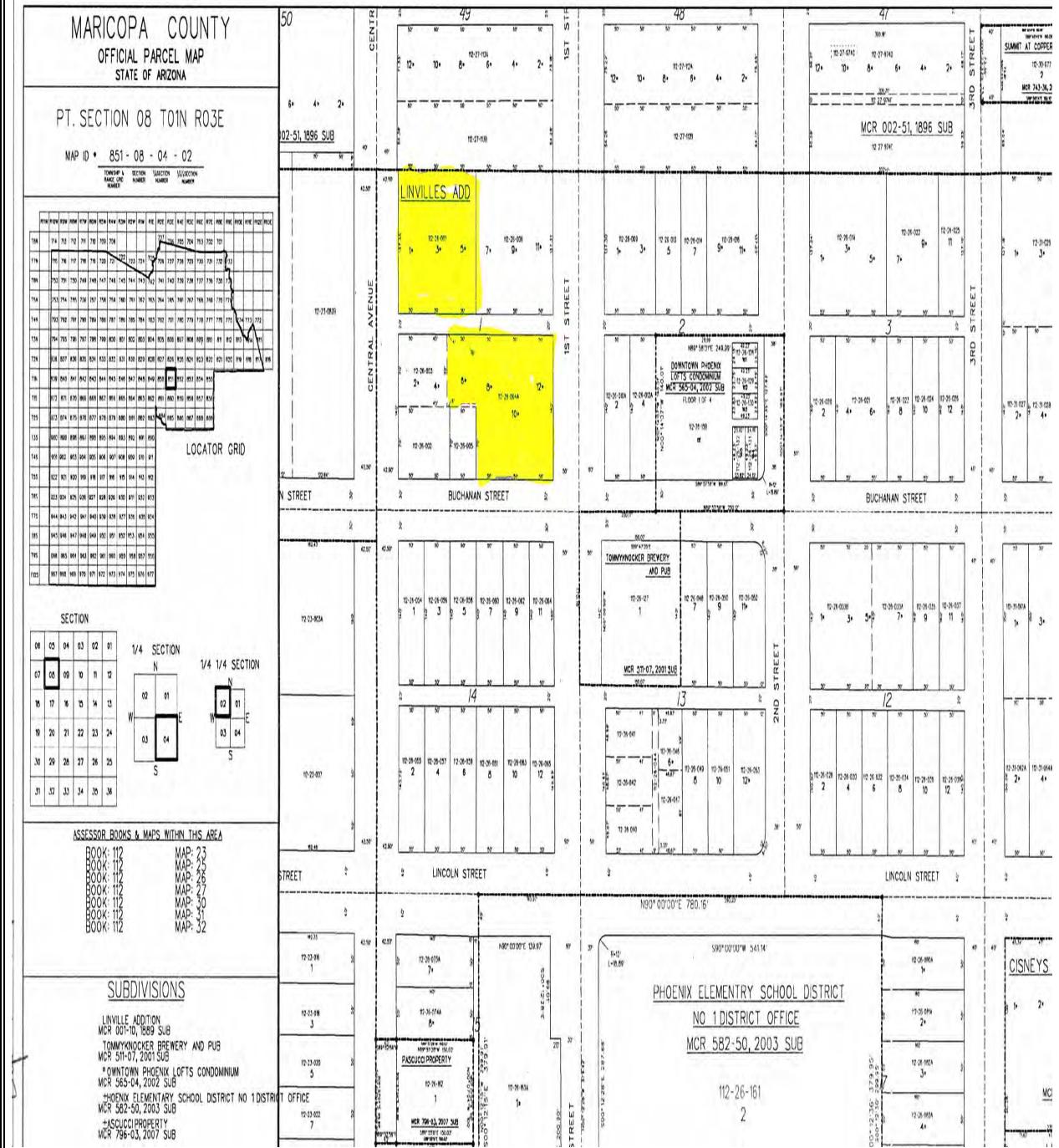


## **PART TWO – FACTUAL DATA (Continued)**

## PLAT MAP

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**PART TWO – FACTUAL DATA (Continued)****SITE DATA**

<b>Location:</b>	1st Street & Buchanan Street, Phoenix, AZ
<b>Assessors Parcel Numbers:</b>	112-26-001 & 004A
<b>Census Tract Number:</b>	1142.00
<b>Assessment District:</b>	No
<b>Access:</b>	Property has access from 1st Street and Buchanan Street
<b>Zoning:</b>	
• <b>General Plan:</b>	A/1; A/2 Warehouse Overlay
• <b>Actual:</b>	A/1; A/2 Warehouse Overlay
<b>Cross Streets:</b>	1st Street & Buchanan Street
<b>Accessibility / Visibility:</b>	The subject property has good accessibility and visibility from 1st Street & Buchanan Street
<b>Support Facilities:</b>	Good – The subject property is within walking distance of goods and services in Downtown Phoenix
<b>Topography:</b>	Mostly level to street grade
<b>Drainage:</b>	Appears adequate
<b>Soil and Subsoil Conditions:</b>	The soil appears to be hard packed sand. Though this type of soil looks to be common in the area, any potential builder should consult with a soils engineer regarding compaction and extra footing requirements.
<b>Archeological Site:</b>	No visual evidence of archaeological significance. (See Scope and Extent of Data Collection Process in page 9 of this report.)
<b>Noise:</b>	No negative noise level factors were noted.
<b>Elevation Variation:</b>	0-2% Grade
<b>Street Improvements:</b>	1st Street & Buchanan Street are two lane paved public streets.

**PART TWO – FACTUAL DATA (Continued)**

<b>Easements:</b>	There are no known nuisances, hazards, encroachments or easements that appear to have a negative effect on value. All existing utility easements are presumed to be in existence and within normal setback lines.
<b>Airport Sphere of Influence:</b>	No
<b>Utilities:</b>	Public utilities including water, septic, electricity, telephone and natural gas appear to be available to the subject property, but are not warranted.
<b>School District:</b>	Maricopa
<b>On – Site Improvements:</b>	The subject property is currently improved with a office/industrial building. Any income derived from the current improvements will be off-set by the cost of demolition.
<b>Off-Site Improvements:</b>	All roads are two lane paved roads with all utilities to the site, but capacities are unknown.
<b>Adjacent Uses:</b>	<p><b>North:</b> Industrial Buildings</p> <p><b>West:</b> Industrial buildings</p> <p><b>South:</b> Parking Lot &amp; Older Industrial Buildings</p> <p><b>East:</b> Industrial &amp; Office Buildings</p>
<b>Flood Plain:</b>	The subject is located in area shown as Flood Zone X500 Panel 040051-2130G; “Areas outside of the 500 Year floodplains revised September 30, 2005
<b>Unit of Comparison:</b>	Price per paper unit; price per square foot
<b>Relationship to and conformity with surroundings:</b>	Good
<b>Functional adequacy:</b>	Good
<b>Environmental:</b>	It is assumed that there are no potentially hazardous materials (i.e. toxic waste) resulting from past use of the property, construction or maintenance of any of the buildings. Such a condition may or may not be present. The appraiser is not qualified to detect such substances. Therefore, if desired, the client should retain an expert in the field.

**PART TWO – FACTUAL DATA (Continued)**

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**Comments:**

The physical and functional characteristics of the subject property meet the desires and standards of typical purchasers in the market. Overall, the site is considered good when compared to competing sites in the market for development in the district and surrounding areas.

**PART THREE – ANALYSIS & CONCLUSIONS (Continued)**

Highest and best use is defined as “that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal.” Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

“The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use...” “Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results form the appraiser’s judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.”<sup>1</sup>

Highest and best use of a property is typically discussed as both vacant and as currently improved or proposed. In addition, there is discussion about the ideal improvement the property could support as indicated in the neighborhood analysis of this report. This ideal improvement can then be compared to the proposed buildings for differences that would affect value.

### **HIGHEST AND BEST USE ANALYSIS (Vacant Land)**

#### **1. Legally Permissible:**

The subject property is located in the incorporated City of Phoenix, Arizona within the downtown corridor district.. The property is designated as A1/A2 with warehouse overlay. Under this zoning ordinance, the subject can be developed as a residential development up to 14 stories. This proposed use is legally permissible according to the City of Phoenix planning department.

#### **2. Physically Possible:**

The Site Data and Improvement Data sections of this report displayed detailed characteristics of the site. The subject property consists of two non-contiguous parcels totaling 1.04 Acres of land. Currently, the subject property is improved as an Office/Industrial Building being leased to a single tenant on a month to month basis as an interim use. Any income derived from the current improvements will be off-set by the cost of demolition. Although the subject property is non-contiguous, the physical characteristics of the subject property will not limit the proposed development. The above legally permissible uses are also physically possible.

<sup>1</sup> Byrl N. Boyce, Ed., Real Estate Appraisal Terminology (Cambridge, Mass: Ballinger Publishing Company, 1981), pp. 126-127.

**PART THREE – ANALYSIS & CONCLUSIONS (Continued)****HIGHEST AND BEST USE ANALYSIS (Vacant Land)****3. Financially Feasible:**

The Regional/City and Neighborhood Sections earlier in this report discussed current and expected supply and demand for residential development in the region and the immediate vicinity of the subject property. The current markets (multi-family land and condominium projects) are unstable and may continue to remain so for the next 12 to 24 months. Later in the appraisal the reader will note that the prospective Bulk or Wholesale Market Value (\$49,013,000) is greater than the prospective cost of production (\$42,718,000) making it financially feasible to start the development process on the subject property in approximately two years bringing finished product on the market in approximately four years.

**4. Maximally Productive:**

In the final analysis, a determination must be made as to which physically possible and legally permissible use would produce a financially feasible use that generates the highest net return on the land for the longest period of time. An analysis of every possible use for the subject property that might be approved by local government during the site specific planning is beyond the scope of this report.

The subject site is located in downtown Phoenix in a good location. The maximally productive use of the subject property is to hold for two years and then develop as a condominium development with finished product being put on the market in approximately four years.

**5. Conclusion:**

The highest and best use would be to rent out the existing improvements as an interim use during the two year holding period and then raze the existing improvements. Any income derived from the current improvements would be off-set by the cost of demolition. The entitlement process should take approximately 1 year, construction should take two years bringing the finished product onto the market in approximately 60 months with price points of finished condominiums in the \$400,000 to \$500,000 with an average price point of \$450,000.

**PART THREE – ANALYSIS & CONCLUSIONS (Continued)****APPRAISAL METHODOLOGY**

Every real property is different and there are many types of value that can be estimated for any real property. For this appraisal assignment, the appraiser is estimating the market value of the subject property as of April 1, 2010. The definition of Market Value has been defined in the Purpose of the Appraisal section of this report. The subject property and type of value desired has been identified and so the appraisal problem has been defined.

In the appraisal process, it is my intention to present a properly supported value conclusion for the subject property. The market data, analysis, and conclusions presented in the report guide a reader in reaching a similar value conclusion as the appraiser.

In the **LAND VALUE SECTION** of an appraisal report, market data and other information pertaining to land value are presented along with an analysis of the data and reasoning that lead to the land value estimate. The factors that affect land value should be presented in a clear and precise manner. The narrative should lead the reader to the land value estimate.

Depending on a specific appraisal assignment, any of the following six methods may be used to value land.

1. Sales Comparison
2. Allocation
3. Extraction
4. Subdivision Development
5. Land Residual
6. Ground Rent Capitalization

In the **COST APPROACH**, an estimated reproduction or replacement cost of the building and land improvements “as if completed” as of the date of the appraisal is developed, together with an estimate of the losses in value that have taken place due to design and plan on neighborhood influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach.

In the **SALES COMPARISON APPROACH**, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market.

In the **INCOME CAPITALIZATION APPROACH**, the “as if complete” rental income to the property is shown with deductions for vacancy and collection loss and expenses. The prospective net operation income of the property is estimated. To support this estimate, comparable properties may be reviewed along with available operation cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that leads to value indications.

**PART THREE – ANALYSIS & CONCLUSIONS (Continued)**

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**APPRAISAL METHODOLOGY (continued)**

In the LAND RESIDUAL METHOD of land valuation is simply an extension of the previously indicated approaches and feasibility. Subtracting the hard and soft costs of development, as well as the developer's profit, from the present value of the future benefits indicates a residual to raw vacant land. The Land Residual Method is a good check of the results from previous value approaches.

The following appraisal methodology will be used for this appraisal.

1. The Sales Comparison Approach will be used to estimate the Market Value of the subject property without detrimental conditions.
2. The Land Residual Technique will be used as a check for the value results from the Sales Comparison Approach. In the Land Residual Technique, first a cost of production analysis to vertical condominium status will be performed to determine the Bulk or Wholesale Market Value of the vertical condominiums. Secondly, the Sales Comparison Technique will be used to determine the retail value of each and condominium. Next, a discounted cash flow analysis will be used to determine the bulk or wholesale market value of the vertical condominiums. Lastly, a Land Residual discounted cash flow analysis will be used as a check for the value results from the Sales Comparison Approach.

**PART THREE – ANALYSIS & CONCLUSIONS (Continued)**

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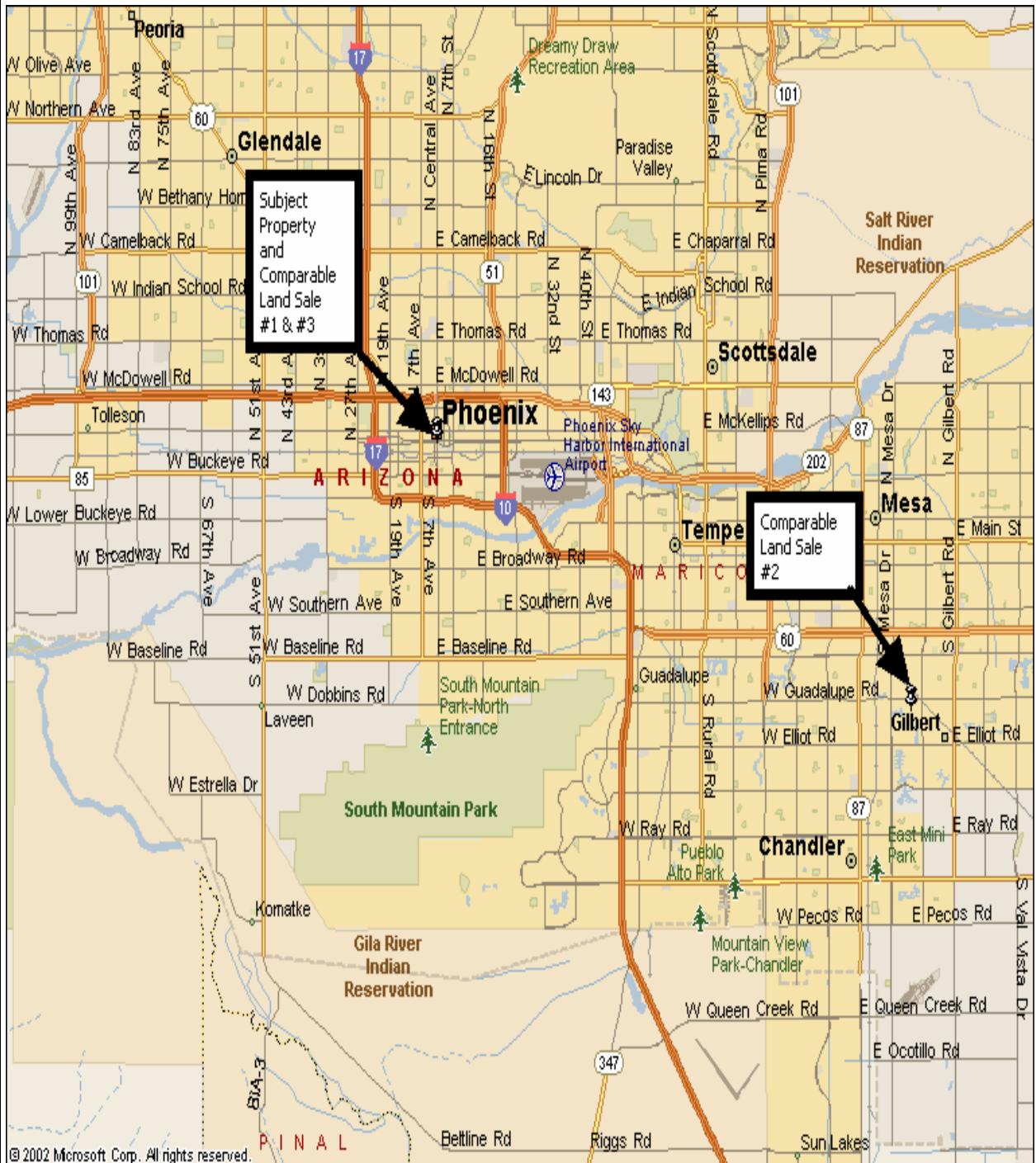
**I. Sales Comparison Approach for 1.04 Acres (45,302 SF) of Residential Land - Fee Simple**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.

COMPARABLE LAND SALES MAP (FEE SIMPLE)

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**PART THREE – ANALYSIS & CONCLUSIONS (Continued)****LAND SALE COMPARISON #1**

<b>Location:</b>	1 W. Washington Street, Phoenix, AZ
<b>Identification:</b>	APN #112-22-107 & 112-27-126 Maricopa County, Arizona.
<b>Thomas Map Guide:</b>	N/A, Maricopa County, Arizona.
<b>Date of Sale:</b>	August 2009
<b>Documentation:</b>	Instrument No. 090768908Official Records, Maricopa County, Arizona.
<b>Buyer:</b>	City of Phoenix
<b>Seller:</b>	N/A
<b>Sale Price:</b>	\$9,533,000*
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$9,533,000
<b>Conditions of Sale:</b>	Non-Arms Length
<b>Market Conditions:</b>	Unstable
<b>Site Size:</b>	1.32 Acres (57,600 SF)
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Downtown Corridor (Residential/Retail/Commercial)
<b>Price Per Acre/SF/:</b>	\$7,221,818/Acre - \$165.50/SF

**ANALYSIS AND CONCLUSION (continued)****LAND SALE COMPARISON #1 CONT'D.**

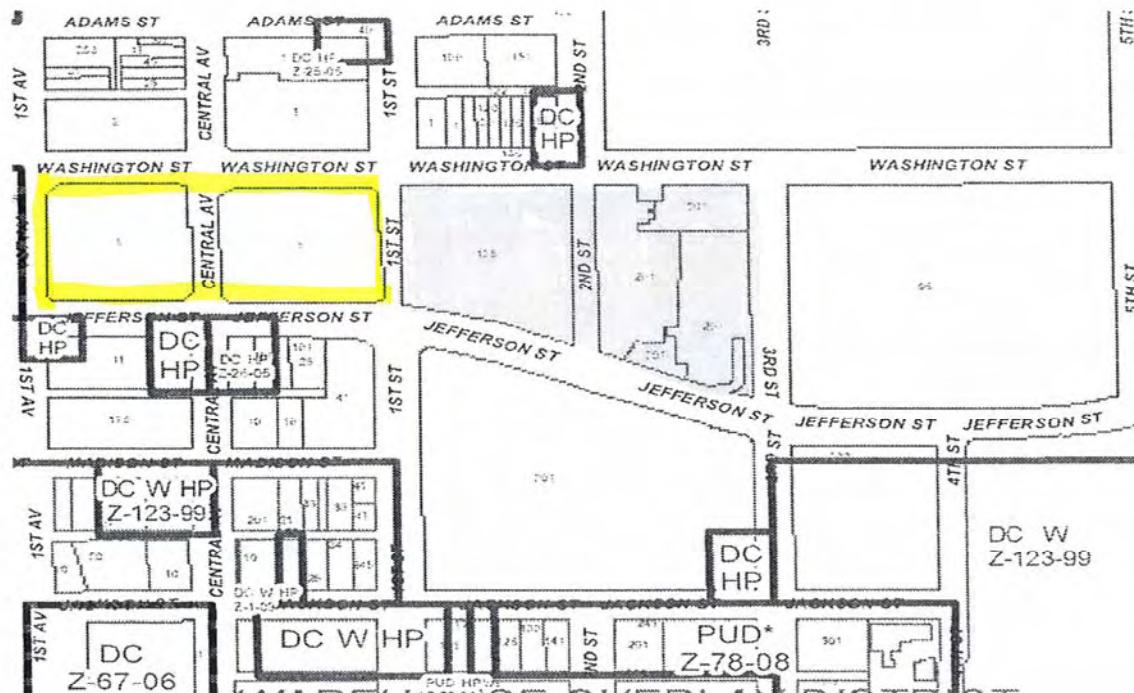
<b>Present Use at Time of Sale:</b>	Downtown Commercial
<b>Highest and Best Use:</b>	Immediate Vertical Construction
<b>Verification:</b>	Maricopa County Records; Broker
<b>Comments:</b>	This property is located approximately 2 blocks northwest of the subject. This property equates approximately 2 city blocks. This property was sold to the City of Phoenix for the proposed City Scape mixed use high rise development. The sale price was subject to reimbursements to the buyer which equates approximately 50% of the purchase price of \$331.00 per square foot. This net amount equals \$165.50/SF which was the value utilized in the Sales Comparison Grid.

## ANALYSIS AND CONCLUSION (continued)

**COMPARABLE LAND SALE #1 PARCEL MAP**

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**ANALYSIS AND CONCLUSION (continued)****LAND SALE COMPARISON #2**

<b>Location:</b>	SWC Willis Road, Gilbert, AZ
<b>Identification:</b>	304-53-202 Maricopa County, Arizona.
<b>Thomas Map Guide:</b>	N/A, Maricopa County, Arizona.
<b>Date of Sale:</b>	May 19, 2006
<b>Documentation:</b>	Documentation Number #1066668 Maricopa County, Arizona.
<b>Buyer:</b>	Gilbert Mercy Medical Parterns, LLC
<b>Seller:</b>	Willis Medical, LLC
<b>Sale Price:</b>	\$2,350,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$2,350,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Site Size:</b>	107,246 SF (2.46 Acres)
<b>Topography:</b>	Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	High Density Residential
<b>Price Per Acre/SF/Door:</b>	\$954,497/Acre - \$21.91/SF

**ANALYSIS AND CONCLUSION (continued)**

**LAND SALE COMPARISON #2 CONT'D.**

<b>Present Use at Time of Sale:</b>	Vacant Residential Land
<b>Highest and Best Use:</b>	Hold for Near Term Development
<b>Verification:</b>	Metroscan; Co Star Comps
<b>Comments:</b>	This property was sold for an assisted living facility. This property has an inferior location when compared to the subject property.

## **ANALYSIS AND CONCLUSION (continued)**

## **COMPARABLE LAND SALE #2 PARCEL MAP**



**ANALYSIS AND CONCLUSION (continued)****LAND SALE COMPARISON #3**

<b>Location:</b>	401 N. 1 <sup>st</sup> Street, Phoenix, AZ
<b>Identification:</b>	APN# 111-45-072 Maricopa County, Arizona.
<b>Thomas Map Guide:</b>	N/A, Maricopa County, Arizona.
<b>Date of Sale:</b>	February 2010
<b>Documentation:</b>	Documentation Number #1297811 Maricopa County, Arizona.
<b>Buyer:</b>	City of Phoenix
<b>Seller:</b>	City Centre
<b>Sale Price:</b>	\$6,250,000
<b>Improvement Value:</b>	<u>\$1,875,000</u>
<b>Value of Land:</b>	<u>\$4,375,000</u>
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$4,375,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Negative
<b>Site Size:</b>	101,930 SF (2.34 Acres)
<b>Topography:</b>	Level
<b>Building Improvements:</b>	This property is improved as a 175 room hotel built in 1955. The contributory of the existing improvements is approximately 30% of the total sale price.
<b>Utilities:</b>	All public utilities appear to be available to the sight But not warranted.
<b>Zoning:</b>	Downtown Corridor Commercial/Residential Uses
<b>Price Per Acre/SF/Door:</b>	\$1,869,658/ \$42.92/SF

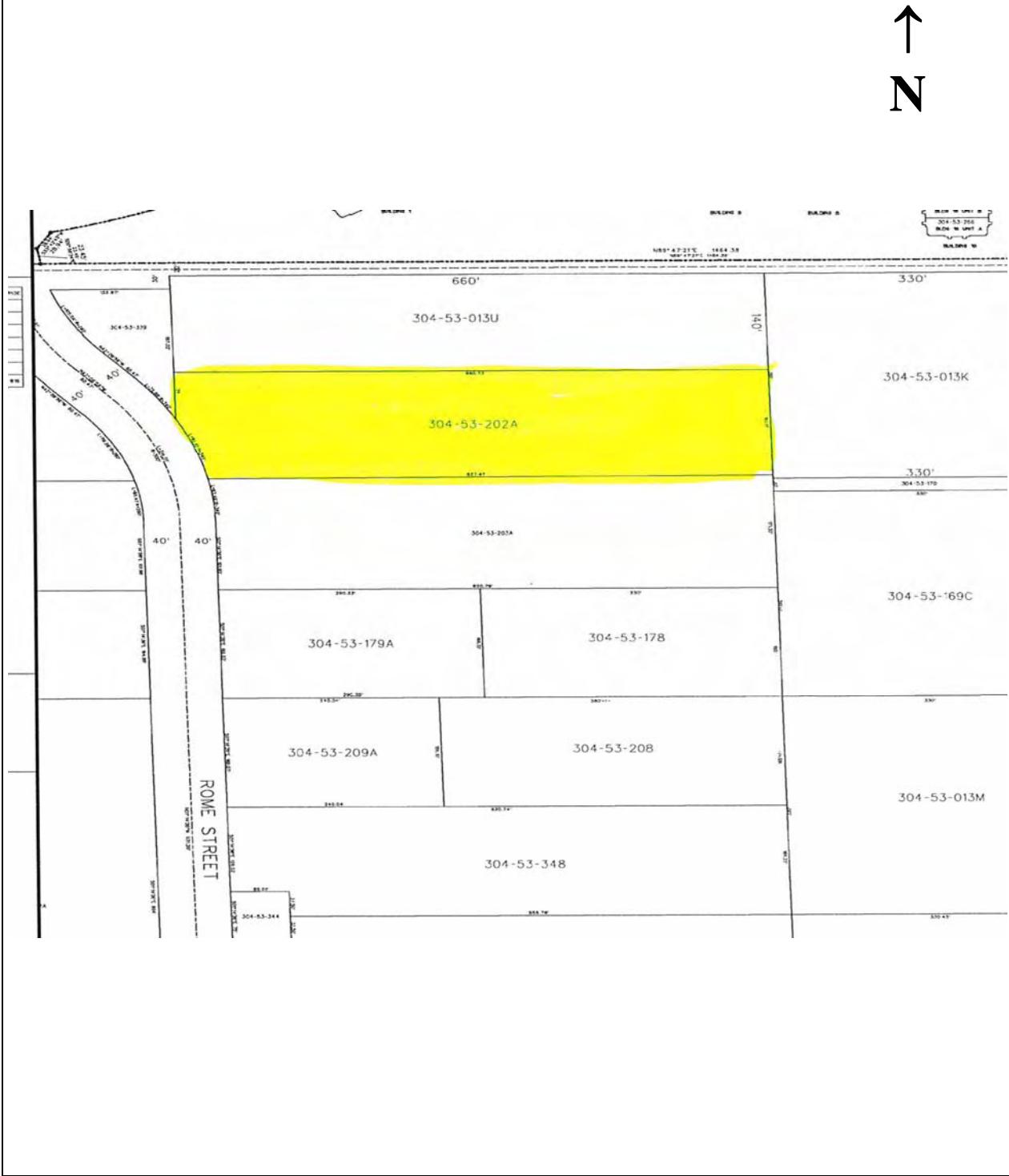
**ANALYSIS AND CONCLUSION (continued)**

**LAND SALE COMPARISON #3 CONT'D.**

<b>Present Use at Time of Sale:</b>	Commercial/High Density Residential
<b>Highest and Best Use:</b>	Hold For Near Term Development
<b>Verification:</b>	Loopnet; Maricopa County Records
<b>Comments:</b>	This property is to the north of the subject property and is considered slightly inferior in location compared to the subject property. This property was sold for interim student housing for the newly built downtown ASU campus. The existing improvements are considered an interim use and were extracted out of the total sale price to estimate the land value.

## **ANALYSIS AND CONCLUSION (continued)**

## **COMPARABLE LAND SALE #3 PARCEL MAP**



**ANALYSIS AND CONCLUSION (continued)****1.04 ACRES (45,302 SF) SALES COMPARISON GRID (FEE SIMPLE)**

FACTOR	SUBJECT	NO. 1	NO. 2		NO. 3	
Location	Buchanan Street & 1st Street Phoenix, AZ	Washington Street Phoenix, AZ	SWC Willis Road Gilbert, AZ		401 N. 1 <sup>st</sup> Street, Phoenix, AZ	
Date of Sale	4/1/2010	8/19/2009	11/09		2/10/2010	
Sale Price	\$3,193,791	\$19,065,000	\$2,350,000		\$4,375,000	
Size (SF)	45,302 SF	57,600 SF	107,157 SF		101,930 SF	
Size (Acres)	1.04 Acres	1.32 Acres	2.46 Acres		2.34 Acres	
Price per Acre	\$3,070,980	\$7,209,180	\$954,497		\$1,869,658	
Price per SF	\$70.50	\$31.00 SF	\$21.91		\$42.92	
<b>CHARACTERISTIC SUBJECT</b>						
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple
Financing Terms	Cash	Cash		Cash		Cash
Conditions of Sale	Arm's Length	Non - Arm's Length (50%)		Arm's Length		Arm's Length
Market Conditions	Unstable	Similar	-0-	Similar	-0-	Similar
Adjusted Price per SF	\$70.50	\$165.50		\$21.91		\$42.92
<b>PHYSICAL ADJUSTMENTS</b>						
Size	45,302 SF	57,600 SF	+5.00	107,157 SF	+5.00	101,930 SF
Location	Good	Similar	-0-	Inferior	+21.01	Similar
Specific Location	Good	Superior	(25.00)	Inferior	+37.58	Inferior
Off-site Improvements	Yes	Similar	-0-	Similar	-0-	Similar
Entitlements	No	Yes	(10.00)	No	-0-	No
Highest & Best Use	Hold for Near Term Development	Immediate Development	(50.00)	Similar	-0-	Similar
View	Good	Good	-0-	Good	-0-	Good
Contiguous	No	Yes	(15.00)	Yes	(15.00)	Yes
<b>ADJUSTMENTS</b>						
Size	+5.00	170.50		26.91		47.92
Non-Contiguous	(15.00)	155.50		11.91		32.92
Entitlements	(10.00)	145.50		11.91		32.92
Highest & Best Use	(50.00)	95.50		11.91		32.92
Specific Location (Superior)	(25.00)	70.50		11.91		32.92
Location 2 & 3	21.01	70.50		32.92		32.92
Specific Location (Inferior 1 & 2)	+37.58	70.50		70.50		75.50
Net Adjustment		(95.00)		+48.59		+27.58
Adjusted Unit Price	\$70.50	\$70.50		\$70.50		\$70.50
<b>WEIGHTED VALUES</b>						
Reliability (1-10)		8		8		8
Contribution (%)		0.333333		0.333333		0.333333
Contribution (\$)	\$70.50	\$23.50		\$23.50		\$23.50

## ANALYSIS AND CONCLUSION (continued)

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### **A. Comparable Land Sales Analysis (continued)**

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

#### **1. Property Rights, Financing Terms and Conditions of Sale:**

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. However, Comparable Sale #1 was sold to the City of Phoenix with tax reimbursements and incentives. Therefore, a downward adjustment of 50% per square foot was made to Comparable Sale #1. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

#### **2. Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. All three Comparable Land Sales were sold during slowly increasing market decreasing market conditions. Therefore, no adjustments were made.

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**ANALYSIS AND CONCLUSION (continued)**

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**A. Comparable Land Sales Analysis (continued)****3. Size Adjustment:**

All three Comparable Land Sales are larger than the subject property. Therefore, an upward adjustment of \$5.00 per square foot was made to all three Comparable Land Sales.

**4. Shape Adjustment:**

The subject property is non-contiguous. All three Comparable Sales are rectangular in shape. Therefore, a downward adjustment of \$15.00 per square foot was made to all three Comparable Sales.

**5. Entitlements Adjustment:**

The subject property is being appraised unentitled. Comparable Sale #1 was sold with entitlements. Therefore, a downward adjustment of \$10.00 per square foot was made to Comparable Sale #1.

**6. Highest and Best Use Adjustment:**

The subject property and Comparable Sale #2 & #3 have similar highest and best uses to hold for near term development, approximately 2 years. Comparable Sale #1 was ready for immediate development at the time of the sale. Therefore, a downward adjustment of \$50.00 per square foot was made to Comparable Sale #1.

**7. Location Adjustment:**

A matched pair was found between Comparable Sale #2 & #3. They are exactly alike except Comparable Sale #2 has an inferior location. Therefore, an upward adjustment of \$21.01 per square foot was made to Comparable Sale #2.

**8. Specific Location Adjustment:**

Comparable Sale #1 has a superior specific location when compared to the subject. Therefore, a downward adjustment of \$25.00 per square foot was made to Comparable Sale #1. After this adjustment was made, a matched pair was found between Comparable Sale #1 & #2. They are exactly alike except Comparable Sale #2 has an inferior specific location. Comparable Sale #3 also has an inferior specific location. Therefore, an upward adjustment of \$37.58 was made to Comparable Sale #2 & #3.

**9. Off – Site Improvements Adjustment:**

All three Comparable Land Sales have similar off – site improvements when compared to the subject property. Therefore, no adjustments were made.

**ANALYSIS AND CONCLUSION (continued)****A. Comparable Land Sales Analysis (continued)****Value Conclusion for 45,302 SF (1.04 Acres (Fee Simple):**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a value of \$80.50 per square foot, with an adjusted price per square foot of \$80.50 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per acre value for the subject site. The market value indication of the site can therefore, be calculated as follows:

<b>45,302 SF Vacant Land</b>	<b>X</b>	<b>\$70.50/SF</b>	<b>=</b>	<b>\$3,193,791</b>
<b>Residential Land – Fee Simple (rounded)</b>			<b>=</b>	<b>\$3,194,000</b>

**ANALYSIS AND CONCLUSION (continued)****II. Land Residual Technique ( Fee Simple)****A. Cost of Production Analysis**

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject improvements. In the analysis of the cost to develop subdivision lots (as if complete and ready for sale), the following have been recognized:

**1. The “as is” market value of the land by Direct Sales Comparison.****2. Construction Costs:**

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
  - b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, and interest.
- 3. Developer’s Profit:** That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the subdivision of a given type.

**4. Cost Data Source:**

Typical developer’s cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the “Marshall Valuation Service”, published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect’s and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor’s overhead and profit, including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

**ANALYSIS AND CONCLUSION (continued)****II. Land Residual Technique ( Fee Simple)****A. Cost of Production Analysis (continued)****4. Cost Data Source: (continued)**

However, these costs do not include the cost of buying or assembling land such as escrow fees, legal fees, property taxes, storm drains or rough grading which are considered costs of doing business or land improvement costs which are included in the value of the land. Also pilings, or hillside foundations are priced separately and are considered an improvement to the land and are not considered within the value of the land unless they have been accomplished. This also refers to soil compaction and vibration. Costs of land planning or preliminary concept and layout for large developments are not included nor is interest or taxes on the land at this point of the development. Discounts or bonuses paid for financing are considered a cost of doing business and are not included in the cost of construction. Yard improvements, landscaping and so forth are calculated separately. Off-site costs including roads, utilities, jurisdictional hook-up fees and assessments are not included in the cost of construction as they are considered within the value of the land. Generally speaking, furnishings and fixtures usually not found in the general contract, that are peculiar to a production dwelling, such as sales models, are not included in the base price but may be included as an additional amenity. Finally, marketing costs to create first occupancy, including model or advertising expenses or temporary operation of property by homeowners' associations, or HOA dues, are not included in the cost of construction. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

**5. Improvement Valuation**

The developer's cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**ANALYSIS AND CONCLUSION (continued)****II. Land Residual Technique (Fee Simple - continued) 150 Proposed Condominiums****A. Cost of Production Analysis Calculations for 150 Condominiums plus subterranean parking****Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b>			
• (cost to produce 150 Condominiums plus subterranean parking)	\$28,500,000		
<b>Subtotal On-Site Costs (\$186,666/Unit)</b>	\$28,500,000		
<b>Total of Hard Costs</b>		<b>\$28,500,000</b>	
Soft Costs (not already included in hard costs)	\$1,250,000		
<b>Total Soft Cost</b>		<b>\$29,750,000</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$29,750,000</b>
Developer's Incentive (15% of Hard and Soft Costs)		\$2,975,000	
<b>Total Development Costs</b>			<b>\$32,725,000</b>
Plus: Land Value (45,302 SF – 1.04 Acres)*	\$3,194,000		
Plus: Developer's Incentive (10% of Land Value)	\$319,400		
Market Value Indication Via Cost of Production			\$36,238,400
<b>Rounded Bulk or Wholesale Value Indication</b>			<b>\$36,238,000</b>

It is concluded that the wholesale or bulk market value indication by the cost approach of the subject property "as if complete" is as follows:

<b>TOTAL WHOLESALE OR BULK VALUE BY COST</b>	\$36,238,400
<b>TOTAL VALUE INDICATION FOR SUBJECT PROPERTY (rounded)</b>	<b>\$36,238,000</b>

\*Later in the appraisal the reader will note the prospective cost of production as of 4/1/2014 is measured in the amount of \$42,718,000. The difference between the current cost of production and the prospective cost of production is due to the change in highest and best use of the land (immediate development) during the two year holding period which will increase the market value of the land.

**ANALYSIS AND CONCLUSIONS (continued)**

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**II. Land Residual Technique (Fee Simple - continued)****B. SALES COMPARISON APPROACH (Finished Condominium Prospective Value Analysis as of 4/1/2014)**

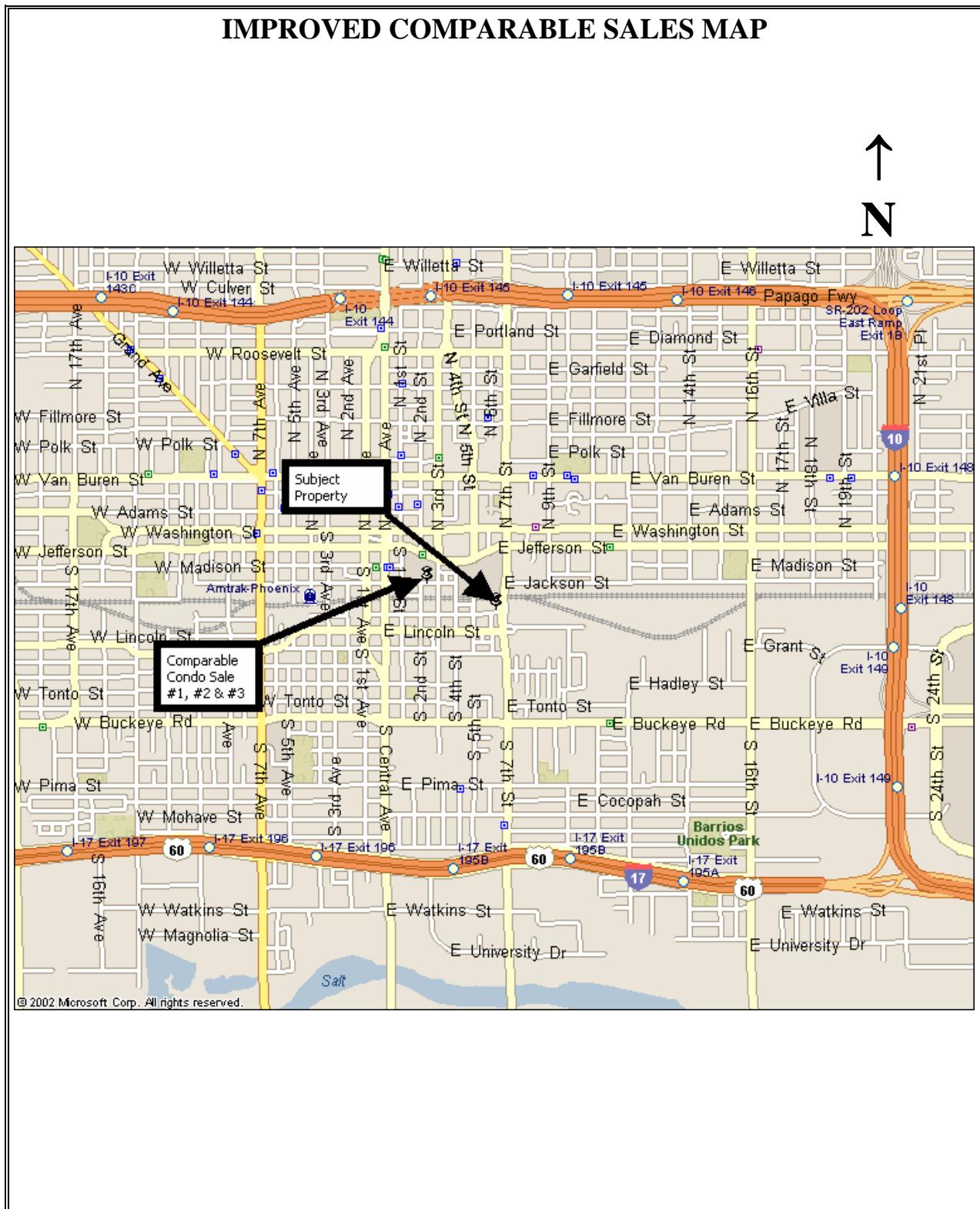
The “As If Complete” Market Value of the vacant land will be estimated by comparison of similar sales in the local market area. The Sales Comparison Approach is a method estimating market value, where the subject property is compared with similar type properties that have recently sold. It is based on the economic principle that a prudent purchaser will not pay more for a property than the price of an equally desirable subject property would bring in the open market at that approximate point in time. Essentially, the sales comparison approach is a systematic procedure for carrying out comparative shopping. The premise is that the market will determine the price for the property being appraised in the same manner it determines the price of comparable competitive properties. Founded on the principle of substitution, this approach depends on detailed analysis of recent sales, current listing, purchase options, and offers to purchase as indicators of market attitudes concerning the ability of similar properties to satisfy anticipated objectives. Preferably all comparable sales are in the same or similar areas.

In using the Sales Comparison Approach, an attempt is made to simulate the price each comparable property would sell for on the date of the subject appraisal if it were identical to the subject property. Since no two properties are identical, this simulation normally requires sufficient market analysis to discern variances between the properties and the magnitude of adjustments to be made of dissimilarities. The subject and specific comparable properties are then compared with percentage adjustments made for differences. Adjustments are typically necessary for the passage of time, as well as, for differences in physical, functional, or locational characteristics. The outcome on value of these differences is discussed in the analysis portion of this approach.

To apply the Sales Comparison Approach, an appraiser follows a systematic procedure:

1. Research the market to obtain information on sales transactions, listing and offerings to purchase properties similar to the subject.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arms length market consideration.
3. Select relevant units of comparison (e.g., dollars per acre, per square foot, or per multiplier) and develop a comparative analysis for each unit.
4. Compare the subject property and comparable sale properties using the elements of comparison and adjust the sale price of each comparable appropriately or eliminate the property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values. An imprecise market may indicate a range of values.

The units of comparison for sales of residential properties are the price per square foot. Interviews with various brokers and realtors during the search for comparable sales and listings confirmed the utilization of these factors.



**CONDOMINIUM SALE COMPARISON #1**



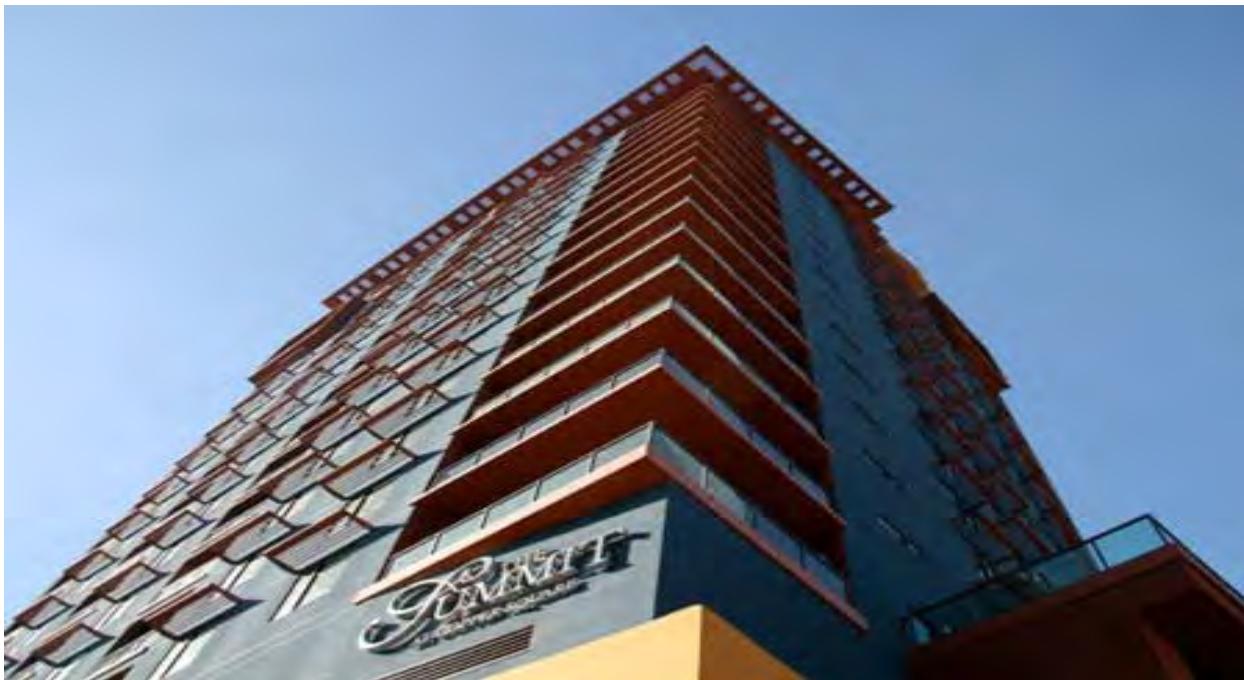
<b>Location:</b>	310 S. 4 <sup>th</sup> Street #1304, Phoenix, AZ 85004
<b>Date of Sale:</b>	11/13/07
<b>Documentation:</b>	Doc #1249069
<b>Buyer:</b>	Jeffery Hart
<b>Seller:</b>	Summit at Copper Square, LLC
<b>Sale Price:</b>	\$368,000
<b>Property Rights</b>	
<b>Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$368,000
 <b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Improvements:</b>	892 SF 1BR/2BA Condominium Attached
<b>Site Area:</b>	1,002SF
<b>Topography:</b>	Level
<b>Utilities:</b>	All public utilities appear to available to the site.
<b>Zoning:</b>	RH (Residential High Density)
<b>Unit Price Per/Dwelling:</b>	\$368,000 (\$412.55/SF)

**CONDOMINIUM SALE COMPARISON #2**



**Location:** 310 S. 4<sup>th</sup> Street #607, Phoenix, AZ 85004  
**Date of Sale:** 9/19/07  
**Documentation:** Doc #1216708  
**Buyer:** Edward Ramos  
**Seller:** Summit at Copper Square, LLC  
**Sale Price:** \$373,000  
**Property Rights**  
**Conveyed:** Fee Simple Interest  
**Financing:** Conventional  
**Cash Equivalency:** \$368,000  
  
**Conditions of Sale:** Arms length transaction.  
**Market Conditions:** Stable  
**Improvements:** 923 SF 1BR/2BA Condominium Attached  
**Site Area:** 1,002SF  
**Topography:** Level  
**Utilities:** All public utilities appear to available to the site.  
**Zoning:** RH (Residential High Density)  
**Unit Price Per/Dwelling:** \$373,000 (\$404.11/SF)

CONDOMINIUM SALE COMPARISON #3



**Location:** 310 S. 4<sup>th</sup> Street #809, Phoenix, AZ 85004  
**Date of Sale:** 10/10/07  
**Documentation:** Doc #1218029  
**Buyer:** Daniel Berryman  
**Seller:** Summit at Copper Square, LLC  
**Sale Price:** \$381,000  
**Property Rights**  
**Conveyed:** Fee Simple Interest  
**Financing:** Conventional  
**Cash Equivalency:** \$381,000  
  
**Conditions of Sale:** Arms length transaction.  
**Market Conditions:** Stable  
**Improvements:** 882 SF 1BR/2BA Condominium Attached  
**Site Area:** 1,002SF  
**Topography:** Level  
**Utilities:** All public utilities appear to available to the site.  
**Zoning:** RH (Residential High Density)  
**Unit Price Per/Dwelling:** \$381,000 (\$431.97/SF)

**CONDOMINIUM SALES ADJUSTMENT GRID (1,500 SF Unit)**  
**(As of prospective date 4/1/2014)**

FACTOR	SUBJECT	SALE # 1		SALE # 2		SALE # 3	
Location	Buchanan & 1st Street, Phoenix, AZ	310 S. 4 <sup>th</sup> Street #1304 Phoenix, AZ		310 S. 4 <sup>th</sup> Street #607 Phoenix, AZ		310 S. 4 <sup>th</sup> Street #809 Phoenix, AZ	
Date of Sale	4/1/2014	11/13/07		9/19/07		10/10/07	
Sale Price	\$482,683	\$368,000		\$373,000		\$381,000	
Price per SF	\$321.79	\$412.55		\$404.11		\$431.97	
<b>CHARACTERISTIC</b>							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arms/Length	Arms/Length		Arms/Length		Arms/Length	
Market Conditions	Prospective Stable	Similar	-0-	Similar	-0-	Similar	-0-
Adjusted Price Per SF	\$321.79	\$412.55		\$404.11		\$431.97	
Adjusted Sale Price	\$482,683	\$368,000		\$373,000		\$381,000	
<b>PHYSICAL COMPARISONS</b>							
Location	Good	Similar	-0-	Similar	-0-	Similar	-0-
Site/ Size/Shape	1,750 SF	1,002 SF	-0-	1,002 SF	-0-	1,002 SF	-0-
View	Good	Similar	-0-	Similar	-0-	Similar	-0-
Design & Appeal	Good	Good	-0-	Good	-0-	Good	-0-
Access	Good	Good	-0-	Good	-0-	Good	-0-
Highrise	Yes	Yes	-0-	Yes	-0-	Yes	-0-
Amenities	Yes	Inferior	+10,000	Inferior	+10,000	Inferior	+10,000
Quality	Very Good	Similar	-0-	Similar	-0-	Similar	-0-
Age/Condition	New	Similar	-0-	Similar	-0-	Similar	-0-
Rooms/Bed/Bath	6/3/2.5	4/1/1.5	+40,000	4/1/1.5	+40,000	4/1/1.5	+40,000
Living Area SF	1,500 SF	893 SF	+60,000	923 SF	+57,500	882 SF	+60,000
Functional Utility	Good	Good	-0-	Good	-0-	Good	-0-
Heating/Cooling	Central	Similar	-0-	Similar	-0-	Similar	-0-
Garage(s)	Subterranean Parking	Yes	-0-	Yes	-0-	Yes	-0-
Pool/Spa	Community	Similar	-0-	Similar	-0-	Similar	-0-
Upgrades	No	No	-0-	No	-0-	No	-0-
Adjusted Price Per Dwelling	\$482,683	\$478,000		\$480,500		\$491,000	
<b>WEIGHTED VALUES</b>							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$482,683	\$159,174		\$160,006		\$163,503	

**CONDOMINIUM SALES ADJUSTMENT GRID (1,000 SF Unit)**  
**(As of prospective date 4/1/2014)**

FACTOR	SUBJECT	SALE # 1		SALE # 2		SALE # 3	
Location	Buchanan & 1st Street, Phoenix, AZ	310 S. 4 <sup>th</sup> Street #1304 Phoenix, AZ		310 S. 4 <sup>th</sup> Street #607 Phoenix, AZ		310 S. 4 <sup>th</sup> Street #809 Phoenix, AZ	
Date of Sale	4/1/2014	11/13/07		9/19/07		10/10/07	
Sale Price	\$412,753	\$368,000		\$373,000		\$381,000	
Price per SF	\$412.75	\$412.55		\$404.11		\$431.97	
<b>CHARACTERISTIC</b>							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arms/Length	Arms/Length		Arms/Length		Arms/Length	
Market Conditions	Prospective Stable	Similar	-0-	Similar	-0-	Similar	-0-
Adjusted Price Per SF	\$412.75	\$412.55		\$404.11		\$431.97	
Adjusted Sale Price	\$412,753	\$368,000		\$373,000		\$381,000	
<b>PHYSICAL COMPARISONS</b>							
Location	Good	Similar	-0-	Similar	-0-	Similar	-0-
Site/ Size/Shape	1,750 SF	1,002 SF	-0-	1,002 SF	-0-	1,002 SF	-0-
View	Good	Similar	-0-	Similar	-0-	Similar	-0-
Design & Appeal	Good	Good	-0-	Good	-0-	Good	-0-
Access	Good	Good	-0-	Good	-0-	Good	-0-
Highrise	Yes	Yes	-0-	Yes	-0-	Yes	-0-
Amenities	Yes	Inferior	+10,000	Inferior	+10,000	Inferior	+10,000
Quality	Very Good	Similar	-0-	Similar	-0-	Similar	-0-
Age/Condition	New	Similar	-0-	Similar	-0-	Similar	-0-
Rooms/Bed/Bath	5/2/2	4/1/1.5	+20,000	4/1/1.5	+20,000	4/1/1.5	+20,000
Living Area SF	1,000 SF	893 SF	+10,000	923 SF	+7,500	882 SF	+10,000
Functional Utility	Good	Good	-0-	Good	-0-	Good	-0-
Heating/Cooling	Central	Similar	-0-	Similar	-0-	Similar	-0-
Garage(s)	Subterranean Parking	Yes	-0-	Yes	-0-	Yes	-0-
Pool/Spa	Community	Similar	-0-	Similar	-0-	Similar	-0-
Upgrades	No	No	-0-	No	-0-	No	-0-
Adjusted Price Per Dwelling	\$412,753	\$408,000		\$410,500		\$421,000	
<b>WEIGHTED VALUES</b>							
Reliability (1-10)		8		8		8	
Contribution (%)		0.333		0.333		0.333	
Contribution (\$)	\$412,753	\$135,864		\$136,696		\$140,193	

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)****THE SALES COMPARISON APPROACH TO VALUE (continued)****Estimation of Completed Condominium Value****A. Comparative Analysis and Conclusions**

In determining the market derived retail value for each proposed individual production dwelling a comparison is made to similar sold dwellings in the neighborhood. Plus and minus dollar adjustments are made to the comparable sales for differences between the comparable sale and each subject type. These differences center around market conditions since the time that the comparable sale sold, locational differences and any physical differences when compared to the subject. Property rights conveyed, financing, terms and conditions of sales are also considered but unless there is an extreme lack of sales, the sales that differ substantially with regard to these three differences, are typically omitted.

**B. Adjustments**

Adjustments to each of the sales is required for significant differences which affect value. The adjustments applied to the price of a comparable property reflect the comparable sale's superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location and physical characteristics.

**1. Property rights, financing terms, and conditions of sale:**

All properties utilized as comparable sales and the subject were sold as fee simple estates. Financing terms for the sales represented cash or cash equivalent to the sellers and therefore, adjustments were not required.

**2. Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Market conditions leading up to the date of appraisal indicate a period of increasing market activity. Proper analysis of sales transactions in comparison to the subject is necessary for circumstances to parallel the definition of market value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value. The sales utilized are attached condominium sales that generally were contracted to early to mid 2007 and closed in mid to late 2007.

**3. Size and Physical Characteristic Adjustments:**

Significant differences between the comparable sales and the subject include; size, location, view, gated community and amenities. Adjustments were made as indicated by the market.

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)****Condominium Value Conclusion Via Sales Comparison Approach:**

The condominium sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the first grid indicated a range of value of for the average 1,500 SF unit to be \$478,000 to \$491,000 per finished condominium and an adjusted price per finished condominium of \$483,000 for the subject's average 1,500 SF condominium. The results from the second grid indicated a range of value of for the average 1,000 SF unit to be \$408,000 to \$421,000 per finished condominium and an adjusted price per finished condominium of \$413,000 for the subject's average 1,000 SF condominium.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per condominium indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per condominium value for the subject site. The market value indication of the site can therefore, be calculated as follows:

**AGGREGATE RETAIL of 150 Finished Condominiums as of prospective date 4/1/2014**

<b>75 Finished Condominium (1,500 SF Average)</b>	<b>X</b>	<b>\$483,000/Condo</b>	<b>=</b>	<b>\$36,225,000</b>
<b>75 Finished Condominium (1,000 SF Average)</b>	<b>X</b>	<b>\$413,000/Condo</b>	<b>=</b>	<b>\$30,975,000</b>
<b>Total Aggregate Retail</b>			<b>=</b>	<b>\$67,200,000</b>
<b>Average Condominium Value</b>			<b>=</b>	<b>\$448,000/Condominium</b>

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)**

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**II. LAND RESIDUAL TECHNIQUE****C. Discounted Cash Flow Analysis Solving for the Bulk or Wholesale Market Value of 150 Proposed Condominiums.**

The required information and steps in this analysis are as follows;

1. Estimation of finished lot values previously estimated in the comparable sales analysis.
2. Estimation of absorption period.
3. Estimation of holding cost and marketing expenses.
4. Discounting of probable net revenues over the absorption period based on assumptions regarding appreciation/depreciation, holding costs, and discounting for cost of mortgage and equity capital.

**Estimation of Absorption Period**

The estimation of the proposed absorption period is one of the most important factors of the analysis and valuation of the subdivision. Differences in the forecast absorption period can cause significant changes in the conclusions of market value, and can affect the conclusion of (or lack of) economic feasibility.

The appraiser's estimate of an absorption period is typically formulated from a consideration of:

1. Historical absorption (demand) for similar properties (number of lots with finished dwellings or percent of project per period).
2. Analysis of underlying demand and trends; i.e., are there likely to be as many (or more or less) buyers for this type of property in the future as there have been in the past?
3. Analysis of the present supply of competitive properties; i.e., how will they compete for the available market demand with the subject?
4. Analysis of the probable future demand. The appraisers must consider not only what has sold in the past and what is available as of the date of appraisal, but the probable supply of competitive offerings over the absorption period as well. Known supply (or assumed supply including the subject), as well as probable additions should be considered as potential competitive supply during absorption.

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)****II. LAND RESIDUAL TECHNIQUE****D. Discounted Cash Flow Analysis Solving for the Bulk or Wholesale Market Value of 79 Proposed Condominiums (continued).****Estimation of Absorption Period (continued)**

5. Comparison of probable future demand to probable future supply (including subject). It is important that market segmentation in the analysis be identified; i.e., the supply and demand levels for competitive dwellings.

Recent sales and discussions with brokers familiar with this type of property and the **Meyers Group Report** all project that the rate of absorption for units similar to the subject ranges from 2-4 per month. Based on the rate of sales in the similar projects surveyed and the recent trends in the market an absorption rate of approximately 3 sales per month average (includes presales) for the 150 units in the subject's price range is estimated.

**Estimation of Holding Costs****1. Maintenance/HOA Expenses**

The subject property should not incur substantial expenses in the maintenance of common areas during absorption. Private streets and landscape maintenance will eventually be taken over by the lot or homeowner and the maintenance expense items are considered to be the homeowner's responsibility. However, maintaining a presentable appearance of commons areas during absorption may be significant to maintaining the projected rate of sales and are included in the analysis. This expense is estimated to be 1% of effective gross income

**2. Property Taxes**

Real property taxes on the subject property are typically incurred by the ownership of a subdivision. Often, the taxes during the first year of absorption reflect its underdeveloped or partially developed status as of the last assessment year. For the purpose of estimating deductions from gross income for ad valorem taxes, it is recognized that taxes can change over the absorption period but since the taxes are a projected rate indicated and deducted at each sale accordingly.

The taxes are typically prorated between buyer and seller at closing, and that the owner of the subdivision incurs the expense only to the extent of the time the property has been owned. This amount is estimated at 1.30% of effective gross income

**3. Insurance, Legal and Title Costs**

Estimated to be 1% of effective gross income.

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)****II. LAND RESIDUAL TECHNIQUE****D. Discounted Cash Flow Analysis Solving for the Bulk or Wholesale Market Value of 79 Proposed Condominiums (continued).****Estimation of Holding Costs****4. Marketing/Advertising/Commissions**

The sale of developed lots with dwellings often depends upon the payment of sales commissions to outside brokers, inside or on-site sales representatives, or a combination of both. Few of these properties "sell themselves," although the extent to which a sales staff is necessary or outside broker fees paid may vary widely. These costs are estimated to be 2% of effective gross income.

**5. Overhead**

"Overhead" is a generic term which can refer to a number of different expenses. Certainly a development which maintains an on-site office with a full-time secretary, telephone, and utilities has "overhead". To the extent that such is considered reasonable and necessary by the typical owner, it is recognized by the appraisers as a deduction from the gross income from sales. Often, it is when the on-site staff serves multiple functions (i.e., secretary/sales agent). While the categorization of expenses may present difficulties, the most concern is with a recognition of the total expenses that is applicable to the development of the subject type.

**6. Profit/Developer's Fee**

Developer's profit and overhead is either shown as a line item to deduct in the subdivision's discounted cash flow or it is included in the discount rate used to discount net proceeds. For small residential developments expected to sell out in under one or two years, it is customary in this region to show developer's profit as part of the discount rate. During the 2000's developer profits were generally in the 10%-15% range.

**Subdivision Discount Rate**

The appropriate discount rate for use in discounting the net income derived from the sale of lots and dwellings over time is the rate of return required in the market for suppliers of capital for investments of similar level of risk. Generally, discount rates are determined from one or more of the following sources:

1. Quoted Return Requirements from subdivision developers, land investors, and builders.
2. Allocation- An allocation should be made from the quoted profit requirements of area developers between developer profit (to completion) and entrepreneurial/equity yield after completion from sales efforts.
3. Comparison to Other Yields – Reported yield or return requirements of investors in other realty or new realty investments.

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)****II. LAND RESIDUAL TECHNIQUE****E. Discounted Cash Flow Analysis Solving for the Bulk or Wholesale Market Value of 79 Proposed Condominiums (continued).****Subdivision Discount Rate**

The appraiser must look at markets other than the real estate market and consider returns on alternate investments. The presumption is that in a capitalistic society, capital will flow to the highest return commensurate with risk, and that an increase in the return on the premier U.S. Treasury debt will ultimately require an increase in the return to all other investments.

**Discounted Cash Flow Analysis**

Discounted cash flow (DCF) analysis is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. The method is profit-or yield-oriented, simulating typical investor assumptions with formulas that calculate the present value of expected benefits assuming specified profit or yield requirements. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested.

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below.

**Discounted Cash Flow and Land Residual Assumptions**

<b>Date of Appraisal:</b>	April 1, 2010	
Holding Period: (From Finished Condominiums)	45 Months from Completion to Sell Out	
Holding period: (Raw Land)	99 Months	
Number of Condominiums	150	
Average Price	\$448,000	
Total Selling Price	\$67,200,000	Aggregate Retail Value (79 Condominiums)
Annual Appreciation	-0-	CPI & Inflation as offset
Absorption per Quarter	10	10 Condominiums Per Quarter
Months to Absorb	45	From Completion to Sell Out (Includes Presales)
Present Value Factor (Property Discount Rate)	12% Land Residual; 13% Bulk	
Total Aggregate Retail Value Estimate:	\$67,200,000	

The following pages contain discounted cash flow income and expense calculations related to the subject's proposed project "as if complete" and ready for sale upon the effective date of the appraisal and the land residual analysis. These calculations will produce the bulk or wholesale value of the 150 proposed condominiums "as if complete, the "As Is" market value of the 1.04 Acres of vacant land, and the "prospective" market value of the 1.04 acres after the 2 year holding period.

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)**

---

**Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value  
150 Condominiums as of 4/1/2010:**

**INSERT DISCOUNTED CASH FLOW HERE**

**PART THREE - ANALYSIS AND CONCLUSIONS** (continued)

---

**Land Residual Discounted Cash Flow Analysis solving for the “As Is” Fee Simple Market Value of 1.04 Acres as of 4/1/2010:**

**INSERT DISCOUNTED CASH FLOW HERE**

**PART THREE - ANALYSIS AND CONCLUSIONS** (continued)

---

**Discounted Cash Flow Analysis to solve for the “Prospective As if Complete ” Bulk or Wholesale Market Value of 150 finished condominiums as of 4/1/2014.**

**INSERT DISCOUNTED CASH FLOW HERE**

**PART THREE - ANALYSIS AND CONCLUSIONS** (continued)

---

**Discounted Cash Flow Analysis to solve for the “Prospective” Market Value of 1.04 Acres as of 4/1/2012.**

**INSERT DISCOUNTED CASH FLOW HERE**

**PART THREE - ANALYSIS AND CONCLUSIONS (continued)****III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **Sales Comparison Approach (Fee Simple)**      \$ 3,164,000
- **Land Residual Technique (Fee Simple)**      \$ 3,135,000

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property's "As Is" MARKET VALUE of the 150 proposed condominiums, if it were sold to an individual buyer.

In the Sales Comparison Approach to value, the use of the Comparable sales for the valuation of vacant land is considered to provide a solid indication of value provided that recent sales can be found with which to compare the subject. A thorough search was conducted in the local Multiple Listings Service, First American Title Win2Data, and COSTAR COMPS for any evidence of vacant residential market value during the past 18 months. Three recent bulk lot sales of similar properties were utilized in the analysis. Most of the weight was given to the Land Residual Technique to value.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "As Is" MARKET VALUE of the subject property, as of the effective date April 1, 2010, is measured in the amount of:

**\$3,150,000 (\$69.53/SF \$21,000/paper unit)\***

**(THREE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS)**

Allocated:

1.04 Acres	\$3,150,000
Building Improvements	<u>\$-0-</u>
Total	\$3,150,000

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated to be 10 to 12 months.

**ADDENDA**

## CURRICULUM VITAE OF THE APPRAISER

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**RAYMOND L. DOZIER, MAI**  
**DOZIER APPRAISAL COMPANY**  
 Resort and Urban Property Appraisers  
 73-350 El Paseo, Suite 206  
 Palm Desert, California 92260  
 Telephone (760) 776-4200  
 Fax (760) 776-4977  
 E-Mail dozierappraisal@dc.rr.com

<b><u>Education:</u></b>	University of Kentucky, B.A., Business Administration and Economics	1974
	Law Student, JD Candidate, Saratoga University	
<b><u>Professional:</u></b>	MAI Member, Appraisal Institute Committee Member, Experience Review for MAI Designation Member, International Council of Shopping Centers (ICSC) Member, National Association of Realtors Member, California Association of Realtors Member, Certified Divorce Planners	
<b><u>Expert Witness:</u></b>	Superior Court of California U.S. District Court Federal Bankruptcy Court	
<b><u>Licenses:</u></b>	State of California Certified General Real Estate Appraiser #AG004590 State of California Real Estate Broker #01173680	
<b><u>Experience:</u></b>	Commercial Appraiser - Associate with R.W. Karlee, MAI Dozier Appraisal Company, Resort & Urban Property Appraiser - Owner	1972-1980 1980 -
<b><u>Faculty:</u></b>	Guest Instructor: University of Kentucky; Courses Taught Corporate Finance and The Time Value of Money.	
<b><u>Continuing Education:</u></b>	Subdivision Analysis; Litigation Valuation; Discounted Cash Flow; Economy and Local Trends; Architecture and Construction; FIRREA Law; Current Issues in Appraising; Summary and Restricted Reports; Special Purpose Property Appraisals – Going-Concern & Business Value; Subdivision Analysis; Fast Food Restaurant Valuation; “Benefits” in Eminent Domain Property Valuations; Attacking & Defending an Appraisal in Litigation; Master Planned Communities Skilled Nursing Facilities; Valuation of Detrimental Conditions; Real Estate Fraud and Appraiser’s Role.	

Page 2 - Curriculum Vitae of the Appraiser

**Partial List of Clients:**

**Legal and Accounting Firms:**

Pillsbury, Madison & Sutro - L.A.  
Rutan & Tucker - Costa Mesa, CA  
Scott J. Zundel

Schlecht, Shevlin & Shoenberger  
Murphy, Pearson, Bradley & Feeney - San Francisco  
Best, Best & Krieger

**Lending Institutions:**

El Dorado Bank  
American Commerce Bank  
Home Savings of America  
First Security Mortgage  
Salt Lake City, Utah  
Wells Fargo Bank  
Palm Springs Savings Bank  
First Community Bank  
Palm Desert National Bank  
Bank of the Desert  
Bank of California  
Transco Mortgage Company  
Bank of Los Angeles

Union Bank  
Valley National Bank of Arizona  
Manufacture's Bank  
PFF Bank & Trust  
(Formerly Pomona First Federal)  
First Security Bank  
Farmer's Merchant Bank - Long Beach  
Riverside National Bank  
San Diego National Bank  
Mitsubishi Bank, LTD  
Midland Financial - Clearwater, FL  
First Interstate Bank  
Mitsubishi Bank, LTD

**Government Agencies:**

Bureau of Indian Affairs  
Bureau of Land Management ( BLM )  
Palm Springs California Edison  
Southern California Edison  
Southern California Gas  
City of Rancho Mirage  
City of Coachella  
City of Indio  
City of Palm Springs  
County of Riverside  
U.S. Department of Agricultural  
City of La Quinta  
Riverside County Housing

City of Cathedral City  
RTC - Contract  
City of Palm Desert  
City of Moreno Valley  
FDIC  
Department of Indian Affairs  
Sacramento, CA  
City Indian wells  
Farmer Home Administration  
State of California Department of Ins.  
SBA Regional Office  
Federal Aviation Administration (FAA)  
Riverside County Flood Control

**Schools:**

Desert Sands Unified School District  
Morongo Unified School District  
Palm Springs Unified School District

**Utilities:**

Coachella Valley Water District  
Morongo Water District  
Cal - Trans  
Desert Water Agency

Page 3 - Curriculum Vitae of the Appraiser

**Hospitals:**

Eisenhower Medical Center  
JFK Memorial Hospital  
Riverside General Hospital  
Desert Hospital

**Corporations:**

Bechtel Corporation  
Motion Picture & TV Fund

**Non-Profit Organizations:**

Berger Foundation  
Joseph Drown Foundation

**Insurance Companies:**

Republic Western, Scottsdale, AZ

**Real Estate Development & Engineering:**

Wessman Construction Company  
American Properties Funding  
Del Webb California Corporation  
Lowe Development  
Ocean Properties - San Diego  
Oliphant & Lizza, Development Group

Strother Construction Company  
Regency Homes - Peter Solomon  
Orr Construction  
Aqua Caliente Band of Cahuilla Indians  
Ruby Broadcasting Company

**Appraisal Functions Include:**

Acquisitions, Bankruptcy, Bond Financing, Condemnation, Construction Defect, Disposition and Liquidation Decision Making, Abundance of Caution for Federally Related Transaction, Donation, Estate Tax Appeal, Exchange, Excess Land, Determination of Economic Feasibility and Market Absorption, Foreclosures, Litigation, Real Property Tax Appeal, Negotiation, Partnership Dissolution, Portfolio Review for Non-Profits, Redevelopment, Lending for Real Property and Going Concern, Group Rental for Long Term Leases, Determining Highest and Best Use of Undeveloped Acreage, Claims of Damage to Real Estate Caused by Other Party, USPAP Compliance Appraisal Review.

**Typical Appraisal Assignments:**

**Public:**

Airport Expansions, Assessment Districts, Electrical & Access R/W's, Flood Control Projects, Park Sites, Subterranean Pipeline Easements, Golf Courses, Proposed Prison Sites, Public Right -of - Way Dedication, Railroad R/W's, School Sites, Temporary Easements, Urban and Rural Mountainous Land, Indian and Leaseholds and Lease Fees, Mountainous Communication Tower Sites, IRS seizes on Questionable Properties, Desert Lands, Accretion Interests Caused By Changing River Courses, and RTC Deposition for Auctions.

**Private:**

Drug Rehab Centers, Cold Storage Facilities, Mobile Home Parks, Day Care Centers, Mini-Storage, Newspaper Buildings, Proposed Service Station, Car-washes, Apartment Complexes, Medical Office Buildings, Neighborhood & Community Shopping Centers, Residential and Commercial Subdivisions, Restaurant Going - Concern, Undeveloped Acreage, Highest and Best Used Studies, Highway Patrol Facilities, Churches, Special Purpose Properties, Trucking, Distribution Facilities, Golf Course Properties, Proposed Time-Share Developments, Aggregate Retail and Bulk or Wholesale Values of proposed Subdivision Developments, Retrospective Real Property Valuations, Motels, Parking Lots, Gypsum Mine Acres, Clothing Optional Resorts, R & D Industrial Facilities, Historical Buildings, Agricultural Going - Concern, Riverfront Properties, Ranch's and Equestrian Centers, Thoroughbred Racehorse Farms, Sports Clubs, Multi -Screen Movie Theaters, High-rise Office Buildings, Planned Unit Developments (PUD's), to Estimate Liquidation Value for Forced Sale or Auction Proceedings, Recreation Properties, Campgrounds, and Cemeteries.

## Page 4 - Curriculum Vitae of the Appraiser

**Interest and Value Types Appraised:**

Fee Simple Estate

Leased Fee Estate

Lease Hold Estate

Sandwich Leasehold Estate

Life Estates

Vertical Estates (Subsurface & Air Rights)

Easements

Partnership Interests

- Joint Tenancy Value
- Tenancy by the Entirety Value
- Tenancy in Common Value

Market Rental Value

Specialized Fractional Ownership

- Condominium Interest
  - Cooperative Interest
  - Timeshare Interest
- Legal Entities Affecting Ownership
- Stock Corporation Market Value
  - Land Trust Beneficiary's Partial Interest
  - Fixed Assets
    - Tangible Assets Value
    - Intangible Assets Value
    - Financial Assets Value
  - General and Limited Partnership Interests
  - Equity Syndications
  - Closely Held Business
    - Going Concern Value (Real Property & Business Value)
    - Business Value only
  - Liquidation Value vs Continued Operation of Business
  - Use Value (as opposed to Value in Exchange)

Investment Value (individual's Investment Return Objectives)

Highest and Best Use Analysis Impacting Value

- Economic Feasibility Studies

Eminent Domain (State and Federal Rule)

- Just Compensation Estimates for Public Takings of Private Property Interests
- Determination of the "Larger Parcel"
- Other Legal Matters
  - Valuation of Detrimental Conditions, Construction Defects, etc.
  - Diminution of Value ( Before and After )

**DOZIER APPRAISAL COMPANY**  
**Resort and Urban Property Appraisers**  
**Valuation and financial Consultants**

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73-350 EL PASEO, SUITE 206  
PALM DESERT, CALIFORNIA 92260

RAYMOND L. DOZIER, MAI  
CERTIFIED GENERAL APPRAISER  
LICENSE # AG004590  
STATE TAX ID # 61-1063795

TEL. (760) 776-4200  
FAX (760) 776-4977  
E-MAIL dozierappraisal@dc.rr.com

**COMPANY PROFILE**

Dozier Appraisal Company is a real property and financial consulting firm specializing in litigation consulting and real property/business valuation services. Founded in 1980 as a real property /business valuation firm, Dozier Appraisal Company consists of a team of dedicated professionals with experience in financial and economic analysis, real property valuation, business valuation, condemnation, damage analysis and related disciplines.

**REAL PROPERTY AND BUSINESS VALUATIONS SERVICES**

Dozier Appraisal Company has extensive expertise in valuation of all types of complex real property interests and of close-held businesses. The firm provides assistance in valuation matters for:

Real Property

- Estates; Private Lending
- Commercial Lending
- Eminent Domain Proceedings
- Highest and Best Use Analysis
- Partial Interest Valuation
- Economic Feasibility
- Market Rental and Absorption

Businesses

- Marital Dissolution
- Community Property Settlement
- Partnership or Corporate Dissolution
- Estate, Gift and Other Tax Matters
- Stock Contributions to Charitable Organizations
- General Business Litigation

The firm has completed more than two thousand valuation assignments covering wide spectrum of industries including:

- Resorts
- Agriculture
- Contracting
- Distribution
- Financial Services
- Public Agencies

- Hospitality
- Manufacturing
- Professional Practice
- Retail
- Sports & Leisure
- Services

## Page 2 – Company Profile

In addition, Dozier Appraisal Company has expertise in valuing intangible business assets, including:

- Going Concern Value
- Goodwill
- Existing Contracts
- Brand Names & Registered Trademarks
- Affiliation Agreements
- Franchises
- Firm Rights
- Copyrights
- Leasehold Interests
- Licenses
- Patents
- Employment Contracts
- Mailing Lists
- Water Rights
- Tax Credits for Past Losses

The Philosophy of Dozier Appraisal Company is to provide thoroughly, objective valuation analysis of real property interest and closely-held companies. The firm accepts many of its valuation assignments by stipulation of the parties to a legal proceeding in which the value of real property or business interests are at issue. Appraisals prepared by Dozier Appraisal Company have been successfully defended in the courts many times.

## **Community Property Matters**

The valuation of a going business or professional practice in a community property division is a complicated process requiring a broad-based knowledge of the laws pertaining to community property business valuations. Although Dozier Appraisal Company does not render legal services, the firm has significant expertise in community property assignments, including the valuation of non-salable professional goodwill and calculations relating to the allocation of business appreciation between community and separate property (Pereira and Van Camp analysis).

## **Eminent Domain Matters**

Dozier Appraisal Company has extensive experience in just Compensation estimates for public takings of private property interests. One of the most critical factors in determining the taking's "before" and "after" market value is the estimation of "what is the Larger Parcel"? Damages to the remainder due to a partial taking can be significant. Consequently, it is critical that the "Larger Parcel" be accurately determined. Dozier Appraisal Company can be instrumental in providing legal counsel consultation in review of opposition's appraisal; suggested line of questioning in valuation matters regarding depositions and trials; and a fair and thorough explanation of all influences that impact market value.

Page 3 – Company Profile

## LITIGATION CONSULTING SERVICES

Dozier Appraisal Company provides a full spectrum of litigation support services to the legal community. The firm's area of expertise includes evaluation of economic damage resulting from business torts, breach of contract, personal injury, wrongful termination and other causes of action. Litigation support services range from document review and preliminary damage calculations to complete financial analysis and research culminating in a formal, written report or expert testimony.

### **Financial and Economic Analysis**

Dozier Appraisal Company provides financial and economic analysis to estimate damages in civil litigation matters. The professional staff of Dozier Appraisal Company has expertise in damage analysis and computing lost profits for many types of cases, including:

- Antitrust
- Breach of Contract
- Business Interruption
- Business Torts
- Copyright Infringement
- Fraud and Embezzlement
- Lender Liability
- Patent Infringement
- Personal Injury
- Professional Liability
- Wrongful Death
- Wrongful Termination

### **Forensic Appraising Services**

The firm performs investigative services in the areas of:

- Tracing separate and community funds
- Searching for unrecorded income
- Analyzing expenses and expenditures
- Reconstruction of incomplete or inaccessible records

### **Other Consulting Services**

In addition to our other services, Dozier Appraisal Company can facilitate discovery, settlement negotiation and trial preparation by:

- Providing economic research
- Reviewing financial documents and selecting key items to be analyzed
- Conducting quantitative analysis for settlement negotiations

Page 4 – Company Profile

### **Other Consulting Services (Cont'd)**

- Locating outside information sources
- Preparing questions for and interpreting responses of other financial witnesses
- Assisting in cross examination preparation
- Critiquing opinion and providing rebuttal testimony

### **Expert Testimony**

The senior associates at Dozier Appraisal Company have significant litigation experience. The firm's philosophy is to present credible, defensible solutions to financial and economic issues in concise reports or though expert testimony, if required. The use of courtroom quality graphics helps to illustrate our findings in a readily understandable format.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report has been made with the following general and specific assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management is assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in the report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or in arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based.
10. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication.
12. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

Page 2

Assumptions and Limiting Conditions

13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm, with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
14. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimated, unless such proration or divisions of interests have been set forth in the report.
15. No legal description or survey was furnished so the appraiser utilized the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.
16. The forecasts, projections, or operation estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factor, and a continued state economy. These forecasts are, therefore, subject to changes in future conditions.
17. The term "Market Value", as used in this report, as agreed upon by federal financial institutions in the United States of America is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Page 3

Assumptions and Limiting Conditions

18. The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The appraiser is not obligated to predict future political, economic or social trends.
19. In preparing this report, the appraiser was required to rely on information furnished by other individuals or found in previously existing records and /or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed implied, is given by the appraiser for the accuracy of such information and the appraiser assumes no responsibility for information relied upon later found to have been inaccurate. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available.
20. No opinion as to the title of the subject properties rendered. Data related to ownership and legal description was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management.
21. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed in arranging for engineering, geological, or environmental studies that may be required to discover such hidden or unapparent conditions.
22. The appraiser has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the appraiser did not become aware of the presence of any such material or substance during the appraiser's inspection of the subject property. However, the appraiser is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimate in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such property or in such proximity thereto that it would cause a loss in value. The appraiser assumes no responsibility for the presence of any such substances or materials on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Page 4

Assumptions and Limiting Conditions

23. Unless otherwise stated, the subject property is appraised assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.
24. Unless otherwise stated, the property is appraised assuming that all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
25. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.
26. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as expressly stated.
27. Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as survey or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.
28. No opinions are intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
29. Where the discounted cash flow analysis is utilized, it has been prepared on the basis of the information and assumptions stipulated in this appraisal report. The achievement of any financial projections or forecasts will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may vary from the projections and such variation may be material.
30. Property values are influenced by a large number of external factors. The information contained in the report comprised the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effect date of the appraisal.

Page 5

Assumptions and Limiting Conditions

31. The liability of Dozier Appraisal Company, its owner and staff is limited to the Client only and to the amount of fees actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all Limiting Conditions and Assumptions of the assignment and related discussions. The Appraiser is in no way responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of a lawsuit (brought by lender, partner or part owner in any form or ownership, tenancy or any other party), Client will hold appraisers completely harmless for and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

**Competency Provision**

32. The appraiser undertaking this assignment warrants that he is competent in properly identifying the appraisal problem and has the necessary knowledge and experience to complete the assignment.

**Entire Fee Appraised**

33. At the request of the Client, the valuation reported in the appraisal report relates to the value of the entire fee simple estate considered as whole. This valuation opinion is not divisible into portions of the subject property representing less than the entire fee simple estate. For example, it may not be assumed that half of the fee simple estate has a market value of half of the market value for the entire fee simple estate.

**Appraisal Without Title Policy**

34. A title policy was made available to the appraiser, although the appraiser assumes no responsibility for such items of record not disclosed by the appraiser's customary investigation.

**Soils/Geologic Studies**

35. No detailed soils or geological studies or reports were made available to the appraiser. Premises employed in this report regarding soils and geologic qualities of the subject property have been discussed with the Client and are consistent with the information made available to the appraiser. However, such premises are not conclusive and the appraiser assumes no responsibility for soils or geological conditions discovered to be different from the conditions assumed in this report.

Page 6  
Assumptions and Limiting Conditions

**Earthquake Potential**

36. The property which is the subject of this appraisal is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geological studies have been provided to the appraiser concerning the geologic and/or seismic conditions of the subject property. The appraiser assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

**Testimony in Court**

37. Testimony or attendance in Court or at any hearing is not required by the reason of this appraisal unless further authorization to fully appraise the property involved is granted to the appraiser at a fee to be determined prior to the commencement of such additional work.

**Structural Deficiencies**

38. The appraiser has personally inspected the subject property, and except as noted in this report, finds no obvious evidence of structural deficiencies in any improvements located on the subject property. However, the appraiser assumes no responsibility for hidden defects or non-conformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professionals or governmental agencies were provided to the appraiser. Further, the appraiser is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the appraiser at the time of his inspection.

39. American with Disabilities Act of 1990 ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

**Termite/Pest Inspection**

40. No termite or pest infestation report was made available to the appraiser. It is assumed that there is no significant termite pest damage or infestation, unless otherwise stated.

Page 7

Assumptions and Limiting Conditions

**Personal Property Not Appraised**

41. No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property, nor has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal.

**Asbestos**

42. The appraiser is not aware of the existence of asbestos in any improvement on the subject property. However, the appraiser is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the appraiser assumes the subject property is free of asbestos and that the subject property meets all federal, state, and local laws regarding asbestos abatement.

**Archaeological Significance**

43. No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological or historical significance
44. The value stated herein is not considered appropriate for a broad based ownership such as a syndication. It is understood and agreed that the appraisal report of valuation stated herein shall not be relied upon or utilized in any syndication or real estate security registration document.